

City of Lansing,
Michigan



Year Ended
June 30, 2019

Comprehensive
Annual Financial
Report

Prepared by: Department of Finance

Chief Strategy Officer
Shelbi Frayer

Accounting Manager
Jeff Scharnowske

CITY OF LANSING, MICHIGAN

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INTRODUCTORY SECTION

CITY OF LANSING, MICHIGAN

LANSING CITY GOVERNMENT

Fiscal Year Ended June 30, 2019

MAYOR

Andy Schor

CITY COUNCIL

Carol Wood, Council President, At Large
Jody Washington, Council Vice President, 1st Ward
Kathy Dunbar, At Large
Patricia Spitzley, At Large
Peter Spadafore, At Large
Jeremy Garza, 2nd Ward
Adam Hussain, 3rd Ward
Brian T. Jackson, 4th Ward

CLERK

Chris Swope

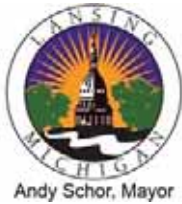
DISTRICT COURT JUDGES

Louise Alderson, Chief Judge
Hugh B. Clarke, Jr.
Stacia Buchanan
Cynthia M. Ward

OFFICERS

Samantha Harkins
James D. Smiertka
Shelbi Frayer
Judy Kehler
Sharon Frishman
Daryl Green
Andrew Kilpatrick
Brian McGrain
Andrea Crawford
Brett Kaschinske
Anethia Brewer
Joan Jackson Johnson
Linda Sanchez-Gazella
Eric Brewer

Executive Assistant/Chief of Staff
City Attorney
Chief Strategy Officer
City Treasurer
City Assessor
Police Chief
Public Service Director
Economic Development & Planning Director
Neighborhood & Citizen Engagement Director
Parks & Recreation Director
Court Administrator
Human Relations & Community Services Director
Human Resources Director
Internal Auditor



FINANCE DEPARTMENT
124 W Michigan Ave., 8th Floor
Lansing, Michigan 48933
517.483.4500

December 19, 2019

Council President Carol Wood and Council Members
10th Floor City Hall
Lansing, Michigan 48933-1694

Dear President Wood and Council Members,

We are pleased to submit the comprehensive annual financial report for the City of Lansing, Michigan for the fiscal year ended June 30, 2019.

The City of Lansing assumes full responsibility for both the accuracy of the data, the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the government operations and of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's fiscal year 2018/2019 financial statements have been audited by Rehmann Robson, an independent firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements for the City of Lansing for the fiscal year-end June 30, 2019, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures contained in the financial statements, assessing the accounting principles used and evaluating the overall financial statement presentation. The independent audit concluded with the rendering of an unmodified opinion on the statements. Meaning the financial statements present fairly and accurately in all material respects in conformity with the Generally Accepted Accounting Principles (GAAP). The independent auditors report is presented as the first component of the financial section of this report.

This letter of transmittal is designed to complement the Management Discussion and Analysis (MD&A) and should be read in conjunction with it. The Management Discussion and Analysis can be found immediately following the Independent Auditor Report.

Profile of the City of Lansing

Serving as Michigan's capital since 1848, the City of Lansing was incorporated in 1859 and operates under provisions of Public Act 279 of 1909, as amended (Home Rule City Act). The City incorporates 34.7 square miles and is located in the lower middle of Michigan's Lower Peninsula and operates under a strong mayor form of government established by the 1978 Charter revision. Lansing is a mature core city with a population of 117,388 according to the 2018 census estimates and offers a full range of services. During the fiscal year ended June 30, 2019 the City operated a police headquarters and precinct with 208 sworn police officers, six fire stations with a fire protection force of 159, over 350 miles of sanitary sewers, 230 miles of storm sewers and 180 miles of combined sewers, over 400 miles of roads, 113 parks, a District Court and support for human services and cultural events. The City's main sources of revenue are property taxes, income taxes, State revenue sharing, Federal entitlement grants and charges for services including utility billings.

Reporting Entity

The financial reporting entity (the City) includes all of the funds of the primary government (i.e. the City as legally defined) as well as its blended component unit the Lansing Building Authority. Blended component units, although legally separate entities, are in substance part of the primary government's operations and are included as part of the primary government. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The Lansing Entertainment & Public Facilities Authority, Tax increment Finance Authority, Brownfield Redevelopment Authority and Smart Zone are reported as discretely presented component units.

Financial Management and Control

Management of the City of Lansing is responsible for establishing and maintaining internal controls. These controls are designed to ensure that the assets of the government are protected from loss, theft or misuse and to assure that adequate accounting data is compiled. This allows for the accurate presentation of financial statements in conformity with generally accepted accounting principles. Such controls include appropriate policies and procedures, ongoing risk assessment and monitoring and review processes which are communicated throughout City operations. Because the cost of internal controls generally should not outweigh their benefits, the City's framework of internal controls has been designed to provide reasonable rather than absolute assurance that these objectives are met.

Because the City is a recipient of federal grant dollars the independent audit of the financial statements of the City of Lansing was part of a broader federally mandated "single audit" in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-profit Organizations. The standards governing the single audits require the independent auditor to report not only on the fair presentation of the financial statements but also on the audited government's internal controls and compliance with legal requirements involving the administration of the federal awards. These reports are available in the City's separately issued Single Audit Report.

Financial results and applicable policies affecting year-end results for the fiscal year ended June 30, 2019 are discussed in the Management Discussion and Analysis (MD&A), located immediately following the Independent Auditor Reports.

Budgeting Controls

The annual Budget serves as the foundation for the City's financial planning, policy-making and control. The City Charter requires that the Mayor submit to the City Council a proposed budget by the fourth Monday in March. Budgetary controls and limitations are noted in the Note Disclosure Section of the financial statements.

The City also maintains an encumbrance accounting system, whereby purchase order amounts are deducted from the available budget as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end and require Council approval to be carried forward to the ensuing fiscal year for amounts greater than \$5,000 or greater than eight months old.

Local Economy

The City of Lansing is the seat of the Michigan state government. The local economy is comprised of a diversified mix of business and industries. With Michigan State University, Davenport University, Cooley Law School and Lansing Community College, the region has a strong higher education presence. The metro Lansing region is also home to several national insurance company headquarters and healthcare services with two major hospitals in the City and a wide variety of technology firms. Manufacturing also

has a strong presence especially in the automotive and biotech engineering sectors, with two General Motors assembly plants and related facilities located in the City, including a \$40 million Logistics Center and a \$162 million regional stamping plant, automotive suppliers throughout the region, production of particle accelerators, and vaccine research and production.

Currently under construction and scheduled for completion in 2021, Michigan State University will be home to a \$76 million Nuclear Research facility which will include the Facility for Rare Isotope Beams (FRIB). This will enable scientific discovery of rare isotope properties, employ top nuclear physicists and is expected to create approximately 1,000 jobs. Even before the plant is completed Niowave, Inc. established its operations in Lansing as a commercial spinoff from Michigan State University's nuclear cyclotron facility. MSU has been named #1 in Nuclear Physics by U.S. News & World Report. Surpassing MIT for the top spot in 2010 and has held its position ever since.

Lansing serves as the cultural center for the region. Recent major investments have revitalized downtown Lansing into an entertainment and residential destination with renovations to historic buildings and brand new developments. The former Lansing Board of Water Light downtown plant was transformed in 2011 into corporate headquarters for the AF Group followed by Blue Cross Blue Shield of Michigan moving into the AF Groups former downtown location. Recent renovations of the former downtown Knapp's department store into apartments and commercial space have attracted technology firms. Highly successful, recently-completed new developments such as Marketplace, Midtown and Skyview residential developments have added significant residential units near and within downtown. The Outfield Ballpark Lofts development which opened in 2017 was the first in the nation to feature apartments located right in the outfield of a Class-A minor league baseball stadium and has received national and international awards.

2018 was another great year for the Lansing Economic Development Corporation (LEDC). The LEDC continued to focus on economic development projects in the City of Lansing. For the entire 2018 calendar year, the LEDC working with the Lansing Brownfield Redevelopment Authority, Mayor Andy Schor's office and the Lansing City Council, gained approval of financing, development incentives or provided assistance to make 28 development projects possible. These 28 projects represent \$218 million in private investment that will create 800 jobs and retain 65 jobs in Lansing.

This \$218 million of private investment is split evenly between Business Expansion and Real Estate/Place Based economic development projects. For jobs the numbers are 700 for Business Expansion projects and 165 for Real Estate/Place Based projects.

Some specific notable projects in 2018 were:

- The Capital City Market project located at 600 East Michigan which will provide a long-awaited urban grocery store to downtown Lansing. This great \$41.5 million mixed-use project will also provide a second hotel downtown and additional apartment units.
- A 286-unit market rate multifamily apartment community to be built at 3600 Dunckle Road in Lansing. The \$52 million project will start with the remediation and demolition of the existing vacant 102,000 square feet former hotel building. Then construction will begin, and it is scheduled to be completed by June 30, 2021. The Developer has also agreed to fund \$500,000 in public improvements at the intersection of the Dunckle and Collins Roads.
- Redevelopment of the former EDS building at 930 W. Holmes Road. This project will repair and redevelop a long vacant site in south Lansing. Included in the redevelopment plans are streetscape improvements and more than \$500,000 of private funds to be spent on public infrastructure improvements and turning 2 acres of impervious asphalt surface parking into green space.

In its commitment to regional partnerships, the City of Lansing has contracted with the Lansing Economic Area Partnership (LEAP) since 2012. This arrangement allows for a cost-effective, regional based approach to economic development. As testament to its success in 2017 LEAP received the prestigious Excellence in Economic Development Award by the International Economic Development Council (IEDC).

Over the past decade LEAP and the Lansing Economic Development Corporation have attracted more than \$2.3 billion in new private investment to the City.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. This was the 41st consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement the City must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it the GFOA to determine its eligibility for another certificate.

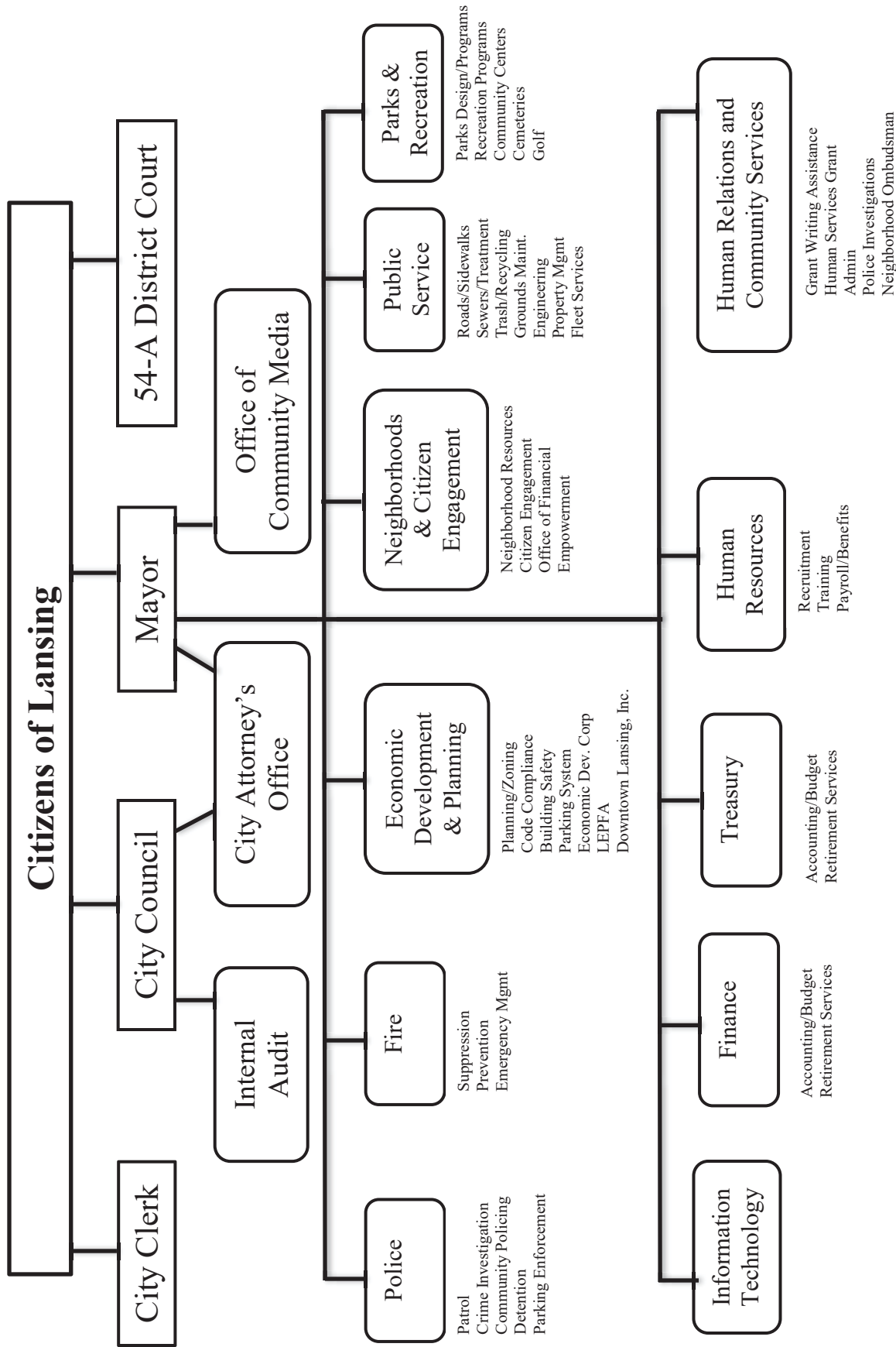
Preparation of this comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Finance Department as well as support by other departments. All those who contributed to this document, especially Accounting Manager Jeff Scharnowske, have our sincere appreciation for their contributions made in the preparation of this report and in the financial management of the City. The 41st consecutive GFOA award recognizing their efforts is well deserved.

Cordially,

A handwritten signature in dark ink, reading "Shelbi Frayer". The signature is written in a cursive, flowing style.

Shelbi Frayer
Chief Strategy Office and Finance Director

Table of Organization





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Lansing
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrell

Executive Director/CEO

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

December 19, 2019

Honorable Mayor and
Members of the City Council
City of Lansing, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Lansing, Michigan* (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lansing, Michigan, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules for the pension and other postemployment benefits plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules, and the introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated December 19, 2019, on our consideration of the City of Lansing, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lehmann Lohman LLC". The signature is written in a cursive, flowing style.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

The management of the City of Lansing, Michigan ("the City") provides this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2019 for the benefit of the readers of these financial statements. This management's discussion and analysis ("MD&A") is intended to assist the reader in focusing on significant financial issues and provide an overview of the City's financial activity. The City encourages the readers to consider the following information here in conjunction with the financial statements taken as a whole, which follow this section.

Financial Highlights

· Total net position	\$ (231,286,435)
· Change in total net position	(3,369,244)
· Fund balances, governmental funds	39,054,736
· Change in fund balances, governmental funds	1,194,217
· Unassigned fund balance, general fund	9,992,885
· Change in fund balance, general fund	(7,295,022)
· Long-term debt outstanding	178,948,144
· Change in long-term debt	(24,270,118)

Overview of the Financial Statements

This MD&A is an introduction to the City's basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The Statement of Net Position and the Statement of Activities are two financial statements that report information about the City, as a whole, and about its activities, which provide measurements of long-term trends that should help answer this question: Is the City, as a whole, better off or worse off as a result of this year's activities? Unlike the governmental funds, the current year's revenues and expenses are taken into account regardless of when cash is received or paid, known as "full accrual accounting".

The Statement of Net Position presents all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between the these categories reported as "net position". Over time, increases and decreases in net position are an indicator of whether the City's long-term financial position is improving or deteriorating, but can also change as a result of governmental accounting standards.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

The Statement of Net Position and the Statement of Activities report three activities, as follows:

- *Governmental Activities.* Most of the City's basic services are reported under this category. Property taxes, income taxes, and intergovernmental revenues generally fund these services. The Council (legislative branch), the District Court (judicial branch), and general operations of the executive branch departments, such as police, fire, parks, public works, and other general staff departments fall within the governmental activities.

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

- *Business-type Activities.* The City charges fees to customers to help cover all or most of the costs of certain services it provides. Sewage collection and treatment and commercial area parking are examples of business-type activities.
- *Discretely Presented Component Units.* Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City has various discretely presented units: the Brownfield Redevelopment Authority, the Tax Increment Finance Authority, and the Lansing Entertainment and Public Facilities Authority.

These financial statements include two schedules that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (full accrual accounting) on the appropriate government-wide statements. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Certain revenues that are earned, but not available for use within the reporting period, are reported as revenues for governmental activities, but are reported as deferred inflows of resources on the governmental fund statements.
- Other long-term assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but not deferred on the government-wide statements.
- Internal service funds are reported as governmental activities, but reported as proprietary funds in the fund financial statements.
- Bond discounts and premiums in connection with the issuance of long-term debt are reported as other financing sources/uses in governmental fund statements, but are capitalized and amortized in the government-wide statements.
- Unless due and payable, long-term liabilities, such as capital lease obligations, compensated absences, and others only appear as liabilities in the government-wide statements.
- Capital outlay spending in excess of capitalization thresholds are recorded as capital assets on the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.
- Certain other outflows, such as debt service principal payments, represent decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Pension and other postemployment benefits liabilities and related deferrals relating to governmental funds are only reported in the government-wide statements.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

Fund Financial Statements. The City's major funds are identified as the General Fund, Sewage Disposal System Fund, and Municipal Parking System Fund. Data for all other funds, termed "nonmajor funds", are combined into a single, aggregated presentation. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose.

- *Governmental funds.* Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are greater or fewer financial resources that can be spent in the near future to finance the City's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the General Fund and special revenue, capital projects, debt service, and permanent funds.
- *Proprietary funds.* When the City charges customers for the services it provides, whether to outside customers or to other agencies within the City, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize full accrual accounting; the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. Examples are the Sewage Disposal Fund and the Municipal Parking Fund. Internal service funds are reported as governmental activities on the government-wide statements.
- *Fiduciary Funds.* The City acts as a trustee or fiduciary, for its employee pension and other postemployment benefit plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These funds, which include pension and other postemployment benefit funds, are reported using full accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent spendable assets of the City to finance its operations.

Required Supplementary Information

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes required pension and other postemployment benefit supplementary information.

Other Supplementary Information

Other supplementary information includes combining and individual fund financial statements for nonmajor governmental, proprietary, and fiduciary funds. These funds are added together, by fund type, and presented in single columns in the basic financial statements, but are not reported individually, as with major funds, on the governmental fund financial statements.

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

Government-wide Financial Analysis

The City's combined net position decreased \$3.4 million over the course of this fiscal year's operations, and came to a total of \$(231.3) million. Net position of governmental activities decreased \$(16.9) million, and business-type activities increased \$13.5 million. Explanations for those changes are described below under the governmental activities and business-type activities sections of this Management Discussion and Analysis.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 70,031,080	\$ 60,223,657	\$ 91,700,607	\$ 84,766,314	\$ 161,731,687	\$ 144,989,971
Capital assets, net	179,267,839	183,112,603	338,450,763	354,396,144	517,718,602	537,508,747
Total assets	249,298,919	243,336,260	430,151,370	439,162,458	679,450,289	682,498,718
Deferred outflows of resources	43,806,456	36,024,546	6,075,602	6,400,785	49,882,058	42,425,331
Long-term debt outstanding	45,721,172	47,341,836	133,226,972	155,876,426	178,948,144	203,218,262
Other liabilities	688,526,465	638,249,867	73,982,282	72,354,918	762,508,747	710,604,785
Total liabilities	734,247,637	685,591,703	207,209,254	228,231,344	941,456,891	913,823,047
Deferred inflows of resources	18,786,464	36,845,515	375,427	2,172,678	19,161,891	39,018,193
Net position						
Net investment in capital assets	146,153,309	148,263,240	233,988,263	227,127,434	380,141,572	375,390,674
Restricted	23,505,738	18,989,889	1,953,175	1,886,620	25,458,913	20,876,509
Unrestricted (deficit)	(629,587,773)	(610,329,541)	(7,299,147)	(13,854,833)	(636,886,920)	(624,184,374)
Total net position	\$ (459,928,726)	\$ (443,076,412)	\$ 228,642,291	\$ 215,159,221	\$ (231,286,435)	\$ (227,917,191)

The largest component of the City's net position reflects its net investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). Restricted net position is the next largest component, which represents amounts subject to external restrictions such as bond covenants, State legislation or Constitutional provision. The remaining portion, unrestricted net position are resources that may be used at the City's discretion, but often have limitations based on policy action. The large decrease in unrestricted net position of governmental activities was primarily due to the increase in the net pension and net other postemployment benefits liabilities of \$14.5 million and \$28.3 million, respectively. The increase in restricted net position for governmental activities was primarily due to increases in the major and local street fund balances, as intergovernmental revenues exceeded current year projects.

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

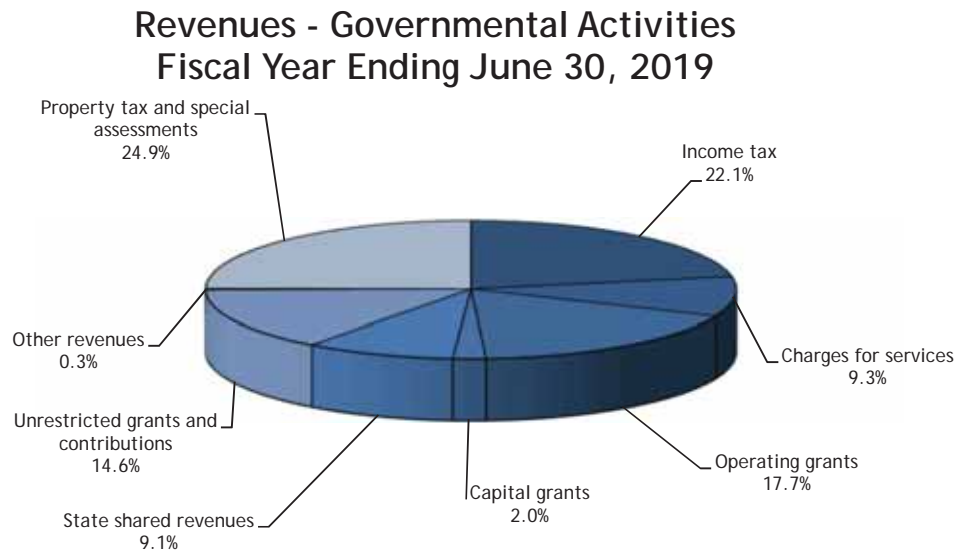
The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City's net position changed during the fiscal year:

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Program revenues						
Charges for services	\$ 15,573,751	\$ 12,727,522	\$ 50,916,057	\$ 48,926,712	\$ 66,489,808	\$ 61,654,234
Operating grants	29,663,253	28,983,936	6,648,917	1,603,942	36,312,170	30,587,878
Capital grants	3,313,872	855,760	-	-	3,313,872	855,760
General revenues						
Taxes	78,714,366	78,028,764	-	-	78,714,366	78,028,764
State shared revenues	15,178,768	14,748,491	-	-	15,178,768	14,748,491
Unrestricted grants and contributions	24,351,305	24,671,167	-	-	24,351,305	24,671,167
Unrestricted investment earnings	463,685	216,239	-	-	463,685	216,239
Gain on sale of capital assets	64,820	-	-	-	64,820	-
Total revenues	167,323,820	160,231,879	57,564,974	50,530,654	224,888,794	210,762,533
Expenses						
General government	26,679,840	16,995,976	-	-	26,679,840	16,995,976
Public safety	97,391,612	87,352,251	-	-	97,391,612	87,352,251
Public works	29,644,398	26,485,877	-	-	29,644,398	26,485,877
Recreation and culture	7,650,889	8,302,243	-	-	7,650,889	8,302,243
Community development	21,046,090	16,150,417	-	-	21,046,090	16,150,417
Interest on long-term debt	1,182,488	1,137,561	-	-	1,182,488	1,137,561
Sewage disposal system	-	-	31,939,976	28,552,143	31,939,976	28,552,143
Municipal parking system	-	-	7,081,998	9,888,246	7,081,998	9,888,246
Cemetery	-	-	470,220	1,379,877	470,220	1,379,877
Golf	-	-	278,501	(372,775)	278,501	(372,775)
Garbage and rubbish collection	-	-	1,035,262	3,101,893	1,035,262	3,101,893
Recycling	-	-	3,856,764	3,859,496	3,856,764	3,859,496
Total expenses	183,595,317	156,424,325	44,662,721	46,408,880	228,258,038	202,833,205
Change in net position, before transfers	(16,271,497)	3,807,554	12,902,253	4,121,774	(3,369,244)	7,929,328
Transfers	(580,817)	(912,186)	580,817	912,186	-	-
Change in net position	(16,852,314)	2,895,368	13,483,070	5,033,960	(3,369,244)	7,929,328
Net position:						
Beginning of year	(443,076,412)	(445,971,780)	215,159,221	210,125,261	(227,917,191)	(235,846,519)
End of year	\$ (459,928,726)	\$ (443,076,412)	\$ 228,642,291	\$ 215,159,221	\$ (231,286,435)	\$ (227,917,191)

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

Governmental Activities. The following chart depicts revenues of the governmental activities for the fiscal year:



In total, governmental activity revenues increased \$7.1 million from FY 2018 to FY 2019, with trends of the major revenue categories as follows:

Property taxes comprised the largest portion of governmental activity revenue at 24.9%, or \$41.7 million, a \$2.1 million, or 5.4% increase from fiscal year 2018, due largely to rising property values and a decrease in taxroll adjustments from the previous year.

Income taxes comprised 22.1%, or \$37.0 million, of governmental activity revenue, the full amount of which is revenue to the General Fund. This represents a \$1.4 million, or 3.7%, decrease from fiscal year 2018. Local income tax rates are prescribed by State law, and limited in Lansing's case to 1% of resident income and 0.5% of the income of persons working in the City, but living outside of its corporate boundaries. Local income tax rates are also limited to 0.5% for Lansing residents working subject to East Lansing's income tax as part of a reciprocal agreement.

Restricted operating and capital grants and contributions made up \$33.0 million, or 19.7% of governmental activity revenue for fiscal year 2019, a \$3.1 million, or 10.5% increase from fiscal year 2018. This increase was largely attributable to an increase in State gas and weight tax revenue distributions and an increase in federal grant revenue from the Community Development Block Grant.

Unrestricted grants and contributions (including state shared sales tax revenue) comprised 23.7%, or \$39.5 million, of revenues, a \$110.0 thousand, or 0.3% increase from fiscal year 2018. A little more than one-third of this category, \$15.2 million, is attributed to State revenue sharing, an amount distributed to municipalities by the State of Michigan by formula allocation of portions of the State sales tax.

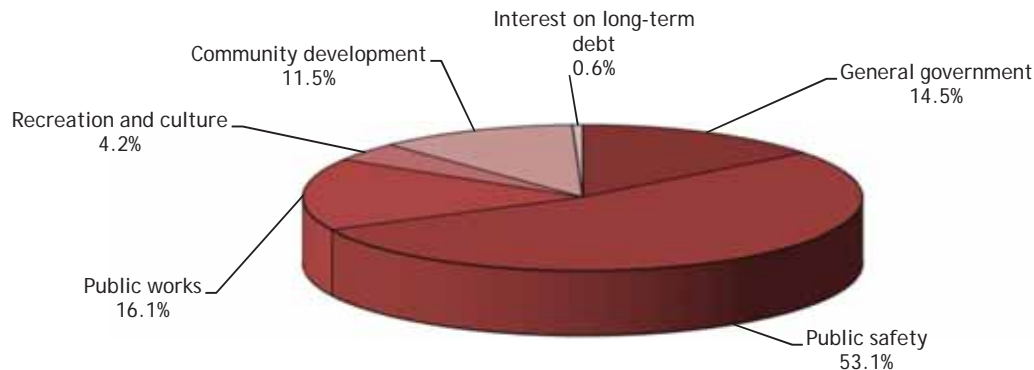
Charges for services are program-specific revenues generated for services provided. Governmental activity charges for services increased \$2.8 million from FY 2018 to FY 2019.

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

The following chart depicts expenses of the governmental activities for the fiscal year:

Expenses - Governmental Activities Fiscal Year Ending June 30, 2019



Total expenses for governmental activities increased \$27.2 million, 17.4%, from FY 2018 to FY 2019, with trends of the major expense categories as follows:

The largest component of governmental activities was public safety, accounting for 53.0%, or \$97.4 million, a 11.5% (\$10.0 million) increase from FY 2018, largely due to investment in supplies and repairs.

Public works comprises the next largest component of governmental activity expenses, at 16.1%, or \$29.6 million, a 11.9% (\$3.2 million) increase from FY 2018, due to significant increases in net pension and other postemployment benefit (retiree healthcare) expenses.

At \$26.7 million, general government expenses, representing general and internal City services, comprised 14.5% of governmental activities. This category increased by \$9.7 million in operational costs, a 60.0% overall increase from FY 2018, due to significant increases in net pension and other postemployment benefit (retiree healthcare) expenses.

Community development represented 11.5%, or \$21.0 million, of total governmental activities expenses. This category increased \$4.9 million, or 30.3% from FY 2018, due mainly to a change in Code Compliance operations from the Fire Department (public safety) to the Economic Development and Planning Department (community development).

Business-type Activities. Net position of the business-type activities increased by \$13.5 million from FY 2018 to \$228.6 million. The increase was mainly attributable to the increase in sewer and municipal parking system funds net position for the fiscal year. The increase in the sewer fund is necessary to fund future debt needs associated with U.S. Environmental Protection Agency and Michigan Department of Environmental Quality-mandated sewer separation projects. The increase in the municipal parking fund (operating grants and contributions) was due to the sale of the Townsend parking ramp and payoff of the corresponding debt.

Financial Analysis of the City's Funds

As the City completed the fiscal year, its governmental funds reported combined ending fund balances of \$39.1 million, a \$1.2 million increase from fiscal year 2018. Of the \$39.1 million fiscal year 2019 combined ending fund balance, \$3.0 million is unavailable to spend (i.e. amounts tied up in inventories, prepaids and endowments), \$17.0 million is legally restricted, and \$9.2 million is committed for designated projects, leaving \$9.9 million unassigned.

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

The unassigned fund balance for the General Fund was \$10.0 million, a decrease of \$7.0 million from FY 2018, which is further described in the General Fund Budgetary Highlights section.

Sewage Disposal System Fund

Net position increased \$4.8 million to \$227.5 million in FY 2019. Unrestricted net position decreased \$2.0 million, from \$5.7 million to \$3.7 million. The decrease in unrestricted net position was the result of significant increases in net pension expenses.

Municipal Parking System Fund

Net position increased \$7.0 million to \$14.8 million. Unrestricted net position increased \$6.7 million, from a deficit of \$2.0 million to \$4.7 million. The increase in unrestricted net position was the result of the sale of the Townsend parking ramp and payoff of the corresponding debt.

General Fund Budgetary Highlights

The FY 2019 General Fund budget was adopted as a balanced budget, based on projected revenues, with a \$500,000 addition to reserves (fund balance). The City budgeted a vacancy factor in its General Fund to account for anticipated positions that would become vacant during the course of the year. Because vacancies that will occur within each department cannot be projected, the vacancy factor is budgeted as a single line item of the General Fund and allocated to various departments through a budget amendment during the year. During the course of the fiscal year, the General Fund revenue budget was amended from \$134.9 million to \$135.4 million.

General Fund reserves, combined with the Budget Stabilization Fund (combined for financial statement purposes) decreased \$7.3 million from FY 2018 to \$10.0 million. Unassigned fund balance decreased \$7.0 million, or 41.2% from fiscal year 2018. The \$7.3 million decrease in total General Fund reserves was mostly attributable to actual expenditures exceeding budgeted expenditures by \$2.3 million, largely due to IRS filing penalties and a litigation settlement.

Capital Assets. At the end of the fiscal year 2019, the City had invested \$517.7 million, net of accumulated depreciation, in a broad range of capital assets (see the table below). Additional information regarding the City's capital assets can be found in Footnote 6 of the of the Notes to the Financial Statements section of the CAFR.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 25,302,787	\$ 25,302,787	\$ 12,470,361	\$ 13,292,491	\$ 37,773,148	\$ 38,595,278
Land improvements	14,069,991	11,799,044	14,255,651	14,265,778	28,325,642	26,064,822
Buildings and improvement	45,632,844	50,058,975	69,089,497	84,746,261	114,722,341	134,805,236
Equipment	7,236,992	7,559,948	967,786	1,187,130	8,204,778	8,747,078
Infrastructure	87,025,225	88,391,849	228,122,636	234,662,935	315,147,861	323,054,784
Construction in progress	-	-	13,544,832	6,241,549	13,544,832	6,241,549
Total capital assets, net	\$ 179,267,839	\$ 183,112,603	\$ 338,450,763	\$ 354,396,144	\$ 517,718,602	\$537,508,747

The decrease in the above-noted capital asset amounts from the prior year is due to depreciation and the sale of the Townsend parking ramp in FY 2019.

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

Debt Administration. The City, along with the Lansing Building Authority (LBA), a blended component unit of the City, is empowered by law to authorize, issue, and sell debt obligations. Limited tax and unlimited tax general obligation bonds are backed by the full faith and credit of the City. The City also issues revenue-dedicated bonded debt, whose payment for principal and interest comes solely out of funds that receive legally-restricted revenues. The Sewage Disposal fund has the City's only dedicated revenue bonds currently outstanding. LBA's bonds financed the construction of parking structures, golf courses, and other related improvements. Revenues derived from user fees from persons using parking and golf facilities fund the debt service requirements for related improvements, but they are also backed by a limited tax pledge.

	Outstanding Debt	
	2019	2018
Governmental activities		
General obligation bonds	\$ 14,163,699	\$ 15,330,000
Deferred amounts:		
For issuance discounts	(52,488)	(59,321)
For issuance premiums	814,209	55,139
Installment purchase contracts	11,274,020	12,289,396
Loans	7,242,002	7,476,545
Compensated absences	9,968,748	9,957,856
Workers compensation	2,310,982	2,292,221
Total governmental activities	45,721,172	47,341,836
Business-type activities		
General obligation bonds	115,616,143	137,182,606
Deferred amounts:		
For issuance discounts	(340,815)	(490,338)
For issuance premiums	2,438,581	1,879,538
Revenue bonds	14,075,000	15,625,000
Installment purchase agreements	582,920	808,500
Compensated absences	855,143	871,120
Total business-type activities	133,226,972	155,876,426
Total outstanding debt	\$ 178,948,144	\$ 203,218,262

More detailed information regarding these activities and funds can be found in Footnote 9 of the of the Notes to the Financial Statements section of the CAFR.

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

Economic Condition and Outlook

Employment levels and personal income in the City decreased slightly in FY 2019 resulting in decreased income tax revenue. In addition, the East Lansing income tax took effect January 1, 2019, further impacting income tax revenue for City of Lansing residents working in East Lansing. Property values increased; however growth in corresponding property tax revenue is limited by State of Michigan Statute to the rate of inflation for property that does not change hands. The 2018/2019 fiscal year resulted in a \$7.3 million decrease to General Fund unassigned reserves, bringing unassigned General Fund reserves down to \$10.0 million, or 7.6% of General Fund expenditures, which is below the City's 12%-15% fund balance policy. As a result, the City's General Fund Reserve Policy requires annual appropriations of a minimum of \$500,000 until the 12% target is reached. Significant challenges remain in the longer-term. Going forward, State-imposed limitations on municipal revenues, most notably those on property tax growth, will continue to constrain resources, which in context of projected increases in pension, healthcare, and infrastructure needs, will present budgetary challenges. The East Lansing income tax will be in effect for the full duration of FY 2020, and additional decreases in income tax may result from the General Motors strike from September to October 2019.

Strengthening the City's economic base, building back up General Fund reserves, and addressing long-term pension and retiree healthcare obligations are top priorities. The City continues to work diligently with its employees and unions to address the ongoing structural imbalance between projected revenues and long-term pension and retiree health care costs and has been successful in achieving significant agreements over the past several years on a wide range of cost-saving measures. The City, in conjunction with the Mayor-appointed Financial Health Team engaged a consultant for studies of its long-term pension and retiree healthcare obligations, and those studies were completed in FY 2018.

The City continues to experience significant economic development and national recognition of its economic development efforts and accomplishments. For more information, please see the "Local Economy" section of the Transmittal Letter.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Copies of this financial report, as well as other financial reports, are available on the City's website, www.lansingmi.gov. If you have any questions about this report or need additional financial information, please feel free to contact the Finance Department at (517) 483-4500.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LANSING, MICHIGAN

Statement of Net Position

June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
Assets				
Cash and investments	\$ 45,129,421	\$ 59,182,174	\$ 104,311,595	\$ 6,251,253
Receivables, net	23,611,894	28,751,368	52,363,262	1,050,927
Internal balances	(773,950)	773,950	-	-
Due from primary government	-	-	-	145
Inventories, prepaids and other assets	2,063,715	415,706	2,479,421	154,302
Restricted cash and investments	-	2,577,409	2,577,409	2,838,415
Capital assets not being depreciated	25,302,787	26,015,193	51,317,980	-
Capital assets being depreciated, net	153,965,052	312,435,570	466,400,622	23,352
Total assets	249,298,919	430,151,370	679,450,289	10,318,394
Deferred outflows of resources				
Deferred charge on refunding	320,544	4,352,459	4,673,003	1,090,578
Deferred pension amounts	26,091,730	1,111,065	27,202,795	-
Deferred other postemployment benefit amounts	17,394,182	612,078	18,006,260	-
Total deferred outflows of resources	43,806,456	6,075,602	49,882,058	1,090,578
Liabilities				
Accounts payable and accrued liabilities	19,191,320	2,097,493	21,288,813	2,082,946
Accrued interest payable	333,492	3,066,968	3,400,460	214,705
Unearned revenue	1,097,724	160,119	1,257,843	501,429
Due to component units	-	145	145	-
Long-term debt:				
Due within one year	5,482,381	13,481,419	18,963,800	254,719
Due in more than one year	40,238,791	119,745,553	159,984,344	44,940,618
Net pension liability (due in more than one year)	274,907,636	30,391,923	305,299,559	-
Net other postemployment benefit liability (due in more than one year)	392,996,293	38,265,634	431,261,927	-
Total liabilities	734,247,637	207,209,254	941,456,891	47,994,417
Deferred inflows of resources				
Deferred pension amounts	6,158,087	375,427	6,533,514	-
Deferred other postemployment benefit amounts	12,628,377	-	12,628,377	-
Total deferred inflows of resources	18,786,464	375,427	19,161,891	-
Net position				
Net investment in capital assets	146,153,309	233,988,263	380,141,572	23,352
Restricted for:				
Public safety	1,588,549	-	1,588,549	-
Public works	16,029,533	-	16,029,533	-
Community development	3,442,457	-	3,442,457	-
Building department	531,033	-	531,033	-
Debt service	-	1,800,929	1,800,929	-
Capital projects	-	152,246	152,246	-
Cooley Stadium	-	-	-	80,000
Endowments (nonexpendable)	1,914,166	-	1,914,166	-
Unrestricted (deficit)	(629,587,773)	(7,299,147)	(636,886,920)	(36,688,797)
Total net position	\$ (459,928,726)	\$ 228,642,291	\$ (231,286,435)	\$ (36,585,445)

The accompanying notes are an integral part of the financial statements.

CITY OF LANSING, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2019

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 26,679,840	\$ 7,567,720	\$ 2,881,563	\$ -	\$ (16,230,557)
Public safety	97,391,612	3,935,250	4,060,020	-	(89,396,342)
Public works	29,644,398	2,978,549	16,810,972	3,313,872	(6,541,005)
Recreation and culture	7,650,889	1,092,232	102,709	-	(6,455,948)
Community development	21,046,090	-	5,807,989	-	(15,238,101)
Interest on long-term debt	1,182,488	-	-	-	(1,182,488)
Total governmental activities	183,595,317	15,573,751	29,663,253	3,313,872	(135,044,441)
Business-type activities:					
Sewage disposal system	31,939,976	35,752,812	943,555	-	4,756,391
Municipal parking system	7,081,998	8,422,161	5,654,396	-	6,994,559
Cemetery	470,220	415,757	-	-	(54,463)
Golf	278,501	-	13,786	-	(264,715)
Garbage and rubbish collection	1,035,262	2,243,627	-	-	1,208,365
Recycling	3,856,764	4,081,700	37,180	-	262,116
Total business-type activities	44,662,721	50,916,057	6,648,917	-	12,902,253
Total primary government	\$ 228,258,038	\$ 66,489,808	\$ 36,312,170	\$ 3,313,872	\$ (122,142,188)
Component units					
Brownfield redevelopment authority	\$ 4,250,976	\$ -	\$ 778,932	\$ -	\$ (3,472,044)
Tax increment finance authority	3,590,401	-	-	-	(3,590,401)
Lansing entertainment & public facilities authority	10,658,863	8,761,416	1,346,300	-	(551,147)
Total component units	\$ 18,500,240	\$ 8,761,416	\$ 2,125,232	\$ -	\$ (7,613,592)

continued...

CITY OF LANSING, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
Changes in net position				
Net (expense) revenues	\$ (135,044,441)	\$ 12,902,253	\$ (122,142,188)	\$ (7,613,592)
General revenues:				
Property taxes	41,692,930	-	41,692,930	6,302,358
Income taxes	37,021,436	-	37,021,436	-
State shared revenues	15,178,768	-	15,178,768	-
Grants and contributions not restricted to specific programs	24,351,305	-	24,351,305	-
Unrestricted investment earnings	463,685	-	463,685	148,925
Gain on sale of capital assets	64,820	-	64,820	-
Transfers - internal activities	(580,817)	580,817	-	-
Total general revenues and transfers	118,192,127	580,817	118,772,944	6,451,283
Change in net position	(16,852,314)	13,483,070	(3,369,244)	(1,162,309)
Net position, beginning of year	(443,076,412)	215,159,221	(227,917,191)	(35,423,136)
Net position, end of year	\$ (459,928,726)	\$ 228,642,291	\$ (231,286,435)	\$ (36,585,445)

concluded

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

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CITY OF LANSING, MICHIGAN

Governmental Fund Financial Statements

Major Fund

General Fund - This is the general operating fund of the City. It is used to account for and report all financial resources not accounted for and reported in another fund.

Nonmajor Funds

Nonmajor governmental funds are presented, by fund type, within the Combining and Individual Fund Financial Statements and Schedules section of this report as noted in the table of contents.

CITY OF LANSING, MICHIGAN

Balance Sheet

Governmental Funds

June 30, 2019

	General	Nonmajor Governmental Funds	Totals
Assets			
Cash and cash equivalents	\$ 3,420,179	\$ 171,739	\$ 3,591,918
Equity in pooled cash and investments	10,033,485	26,955,975	36,989,460
Accounts receivable, net	8,805,431	120,891	8,926,322
Taxes receivable, net	635,163	-	635,163
Special assessments receivable	-	191,201	191,201
Loans receivable	-	1,222,523	1,222,523
Accrued interest receivable	-	2,172,446	2,172,446
Due from other funds	500	-	500
Due from other governments, net	2,761,330	7,691,569	10,452,899
Inventories	29,575	1,030,305	1,059,880
Prepays	9,030	7,556	16,586
Total assets	\$ 25,694,693	\$ 39,564,205	\$ 65,258,898
Liabilities			
Negative equity in pooled cash	\$ -	\$ 2,889,204	\$ 2,889,204
Accounts payable	6,299,107	2,063,759	8,362,866
Deposits payable	-	35,020	35,020
Accrued payroll	2,536,288	67,198	2,603,486
Indemnity bonds	-	43,867	43,867
Due to other funds	2	624,145	624,147
Advances from other funds	-	150,303	150,303
Due to other governments	3,273,824	587,250	3,861,074
Unearned revenue	568,924	528,800	1,097,724
Other liabilities	821,915	-	821,915
Total liabilities	13,500,060	6,989,546	20,489,606
Deferred inflows of resources			
Unavailable revenues - fees	2,163,143	-	2,163,143
Unavailable revenues - loans and accrued interest receivable	-	3,394,969	3,394,969
Unavailable revenues - special assessments	-	156,444	156,444
Total deferred inflows of resources	2,163,143	3,551,413	5,714,556
Fund balances			
Nonspendable	38,605	2,952,027	2,990,632
Restricted	-	17,038,777	17,038,777
Committed	-	9,147,988	9,147,988
Unassigned (deficit)	9,992,885	(115,546)	9,877,339
Total fund balances	10,031,490	29,023,246	39,054,736
Total liabilities, deferred inflows of resources and fund balances	\$ 25,694,693	\$ 39,564,205	\$ 65,258,898

The accompanying notes are an integral part of the financial statements.

CITY OF LANSING, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2019

Fund balances - total governmental funds \$ 39,054,736

Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	25,302,787
Capital assets being depreciated, net	153,965,052
Capital assets accounted for in internal service funds, net	(11,341,206)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets (i.e., receivables) are offset by deferred inflows of resources in the governmental funds and, therefore, are not included in fund balance.

Deferred ambulance fees receivable	819,507
Deferred nuisance fees receivable	555,753
Deferred loans receivable	1,222,523
Deferred long-term interest receivable	2,172,446
Deferred long-term special assessments receivable	156,444
Deferred long-term taxes and tax settlement receivables	22,500
Deferred State of Michigan receivables	765,383

Internal service funds are used by management to charge the costs of certain equipment maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

12,777,701

Long-term liabilities and related deferred outflows are not due and payable in the current period and therefore are not reported in the funds.

Bonds, loans and installment purchase agreements payable, and deferred discounts/premiums	(30,769,406)
Deferred charge on refunding	320,544
Accrued interest on bonds, loans and leases payable	(316,345)
Compensated absences and other long-term liabilities	(11,432,664)

Certain pension and other postemployment benefit-related amounts, such as the net pension and other postemployment benefit liabilities and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.

Net pension liability	(274,907,636)
Deferred outflows related to the net pension liability	26,091,730
Deferred inflows related to the net pension liability	(6,158,087)
Net other postemployment benefit liability	(392,996,293)
Deferred outflows related to the net other postemployment benefit liability	17,394,182
Deferred inflows related to the net other postemployment benefit liability	(12,628,377)

Net position of governmental activities \$ (459,928,726)

The accompanying notes are an integral part of the financial statements.

CITY OF LANSING, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balances

Governmental Funds

For the Year Ended June 30, 2019

	General	Nonmajor Governmental Funds	Totals
Revenues			
Property taxes and special assessments	\$ 40,594,678	\$ 1,137,967	\$ 41,732,645
Income taxes	37,021,436	-	37,021,436
Licenses and permits	1,399,881	-	1,399,881
Intergovernmental	18,402,995	27,183,157	45,586,152
Charges for services	9,024,331	6,211,325	15,235,656
Fines and forfeitures	2,050,717	256,273	2,306,990
Interest and rents	226,344	405,468	631,812
Contributions	21,255,032	12,500	21,267,532
Other revenues	387,451	736,495	1,123,946
Total revenues	130,362,865	35,943,185	166,306,050
Expenditures			
Current expenditures:			
General government	24,027,129	3,313,802	27,340,931
Public safety	76,775,769	1,883,913	78,659,682
Public works	11,615,556	17,339	11,632,895
Highways and streets	-	11,984,896	11,984,896
Recreation and culture	8,138,369	-	8,138,369
Community development	9,175,051	10,260,226	19,435,277
Debt service:			
Principal	1,859,052	1,324,543	3,183,595
Interest	448,745	551,562	1,000,307
Capital outlay	-	4,798,070	4,798,070
Total expenditures	132,039,671	34,134,351	166,174,022
Revenues over (under) expenditures	(1,676,806)	1,808,834	132,028
Other financing sources (uses)			
Transfers in	100,000	8,649,296	8,749,296
Transfers out	(5,718,216)	(3,611,897)	(9,330,113)
Issuance of long-term debt	-	1,665,000	1,665,000
Issuance of long-term refunding debt	-	6,938,699	6,938,699
Bond premium	-	780,670	780,670
Payment to refunding bond escrow agent	-	(7,741,363)	(7,741,363)
Total other financing sources (uses)	(5,618,216)	6,680,405	1,062,189
Net change in fund balances	(7,295,022)	8,489,239	1,194,217
Fund balances, beginning of year	17,326,512	20,534,007	37,860,519
Fund balances, end of year	\$ 10,031,490	\$ 29,023,246	\$ 39,054,736

The accompanying notes are an integral part of the financial statements.

CITY OF LANSING, MICHIGAN

Reconciliation

Net Change in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds	\$ 1,194,217
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital assets purchased/constructed	7,499,433
Depreciation expense	(10,469,794)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to subsequent fiscal years.

Change in deferred ambulance fees receivable	(69,761)
Change in deferred nuisance fees receivable	239,729
Change in deferred loans receivable	(1,937)
Change in deferred long-term interest receivable	59,250
Change in deferred special assessments receivable	(39,714)
Change in deferred State of Michigan receivables	765,383

Internal service funds are used by management to charge the costs of certain equipment maintenance to individual funds. The net increase (decrease) in the net position of the internal service funds is reported with governmental activities.

Net operating loss from governmental activities in internal service funds	(200,473)
Gain on sale of capital assets from governmental internal service funds	64,820
Interest expense from governmental internal service funds	(174,413)

Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net position.

Issuance of long-term debt	(8,603,699)
Principal payments on long-term debt	3,183,595
Premium on bond issuances	(780,670)
Payments to refunding bond escrow agent	7,741,363

Certain expenditures are reported in governmental funds that reduce long-term liabilities for purposes of the statement of net position.

Change in estimated liability for workers' compensation	(18,761)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in accrued interest payable on long-term debt	6,316
Amortization of issuance premiums and discounts, and deferred charge on refunding	(14,084)
Change in the accrual for compensated absences	(3,864)
Change in the net pension liability and related deferred amounts	(18,319,605)
Change in the net other postemployment benefit liability and related deferred amounts	1,090,355

Change in net position of governmental activities	<u>\$ (16,852,314)</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF LANSING, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 40,315,000	\$ 40,315,000	\$ 40,594,678	\$ 279,678
Income taxes	38,500,000	38,500,000	37,021,436	(1,478,564)
Licenses and permits	1,677,000	1,677,000	1,399,881	(277,119)
Intergovernmental	19,196,700	19,196,700	18,402,995	(793,705)
Charges for services	9,672,200	9,672,200	9,024,331	(647,869)
Fines and forfeitures	2,456,100	2,456,100	2,050,717	(405,383)
Interest and rents	205,000	205,000	226,344	21,344
Contributions	22,500,000	22,500,000	21,255,032	(1,244,968)
Other revenues	333,000	905,875	387,451	(518,424)
Total revenues	134,855,000	135,427,875	130,362,865	(5,065,010)
Expenditures				
General government:				
Attorney's office	2,168,300	2,168,300	3,181,864	1,013,564
City clerk	1,197,000	1,197,000	1,356,153	159,153
Council	714,000	714,000	695,984	(18,016)
Courts	6,605,500	6,605,500	6,275,406	(330,094)
Internal audit	194,900	194,900	192,655	(2,245)
Finance	5,471,600	5,471,600	8,373,425	2,901,825
Library rental	150,000	150,000	151,846	1,846
Human resources	2,118,000	2,118,000	2,121,102	3,102
Mayor	1,296,800	1,296,800	1,256,114	(40,686)
Office of community media	469,900	469,900	422,580	(47,320)
Budgetary savings from attrition	(500,000)	(500,000)	-	500,000
Total general government	19,886,000	19,886,000	24,027,129	4,141,129
Public safety:				
Police	43,193,300	43,312,596	42,832,580	(480,016)
Fire	34,129,900	34,129,900	33,943,189	(186,711)
Total public safety	77,323,200	77,442,496	76,775,769	(666,727)
Public works	11,572,500	11,572,500	11,615,556	43,056
Recreation and culture	8,301,000	8,301,000	8,138,369	(162,631)

continued...

CITY OF LANSING, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Community development:				
Economic development and planning	\$ 5,021,300	\$ 5,021,300	\$ 4,918,772	\$ (102,528)
Neighborhood and community engagement	863,500	863,500	815,172	(48,328)
Human relations / community services	1,598,300	2,343,538	1,493,554	(849,984)
Human services / community support	2,041,400	2,041,400	1,947,553	(93,847)
Total community development	9,524,500	10,269,738	9,175,051	(1,094,687)
Debt service:				
Principal	1,859,100	1,859,100	1,859,052	(48)
Interest	451,900	451,900	448,745	(3,155)
Total debt service	2,311,000	2,311,000	2,307,797	(3,203)
Total expenditures	128,918,200	129,782,734	132,039,671	2,256,937
Revenues over (under) expenditures	5,936,800	5,645,141	(1,676,806)	(7,321,947)
Other financing sources (uses)				
Transfers in	100,000	100,000	100,000	-
Transfers out	(6,036,800)	(6,036,800)	(5,718,216)	(318,584)
Issuance of long-term debt	-	1,725,000	-	(1,725,000)
Total other financing sources (uses)	(5,936,800)	(4,211,800)	(5,618,216)	(1,406,416)
Net change in fund balance	-	1,433,341	(7,295,022)	(8,728,363)
Fund balance, beginning of year	17,326,512	17,326,512	17,326,512	-
Fund balance, end of year	\$ 17,326,512	\$ 18,759,853	\$ 10,031,490	\$ (8,728,363)

concluded

The accompanying notes are an integral part of the financial statements.

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CITY OF LANSING, MICHIGAN

Proprietary Fund Financial Statements

Major Funds

Sewage Disposal System Fund - This fund accounts for the provision of sewage disposal services to the residents of the City.

Municipal Parking System Fund - This fund accounts for the operation of City-owned parking facilities.

Nonmajor Funds and Internal Service Funds

Nonmajor enterprise funds and internal service funds are presented, by fund type, within the Combining and Individual Fund Financial Statements and Schedules section of this report as noted in the table of contents.

CITY OF LANSING, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2019

	Business-type Activities - Enterprise Funds				Governmental Activities
	Sewage Disposal System	Municipal Parking System	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	\$ 787	\$ 3,221,027	\$ 23,568	\$ 3,245,382	\$ -
Equity in pooled cash and investments	39,270,669	14,771,634	1,894,489	55,936,792	7,437,247
Accounts receivable, net	4,828,795	66,092	170,328	5,065,215	11,340
Accrued interest receivable	35,551	93,732	-	129,283	-
Due from other funds	2,944	986,515	-	989,459	-
Lease receivable, current	657,988	-	-	657,988	-
Inventories	238,858	-	52,493	291,351	352,259
Prepays	-	124,355	-	124,355	634,990
Total current assets	45,035,592	19,263,355	2,140,878	66,439,825	8,435,836
Noncurrent assets:					
Restricted cash and cash equivalents	2,425,163	152,246	-	2,577,409	-
Advances to other funds	-	150,303	-	150,303	-
Lease receivable, net of current portion	6,087,138	16,811,744	-	22,898,882	-
Capital assets not being depreciated	13,965,581	11,545,371	504,241	26,015,193	92,892
Capital assets being depreciated, net	307,826,801	2,552,762	2,056,007	312,435,570	11,248,314
Total noncurrent assets	330,304,683	31,212,426	2,560,248	364,077,357	11,341,206
Total assets	375,340,275	50,475,781	4,701,126	430,517,182	19,777,042
Deferred outflows of resources					
Deferred charge on refunding	1,183,607	3,168,852	-	4,352,459	-
Deferred pension amounts	606,035	202,012	303,018	1,111,065	-
Deferred other postemployment benefit amounts	358,721	104,375	148,982	612,078	-
Total deferred outflows of resources	2,148,363	3,475,239	452,000	6,075,602	-
Liabilities					
Current liabilities:					
Accounts payable	1,529,944	178,846	181,356	1,890,146	2,553,855
Deposits payable	-	66,815	-	66,815	-
Accrued interest payable	624,234	2,439,877	2,857	3,066,968	17,147
Accrued payroll	90,426	48,261	1,845	140,532	159,237
Claims incurred but not reported	-	-	-	-	750,000
Due to other funds	362,870	2,942	-	365,812	-
Due to component units	-	145	-	145	-
Unearned revenues	-	-	160,119	160,119	-
Bonds and notes payable, current portion	12,043,482	1,130,000	230,023	13,403,505	370,290
Compensated absences, current portion	62,571	2,022	13,321	77,914	83,804
Total current liabilities	14,713,527	3,868,908	589,521	19,171,956	3,934,333
Noncurrent liabilities:					
Bonds and notes payable, net of current portion	95,590,057	23,025,370	352,897	118,968,324	2,301,746
Compensated absences, net of current portion	431,530	168,283	177,416	777,229	763,262
Net pension liability	16,577,409	5,525,803	8,288,711	30,391,923	-
Net other postemployment benefit liability	22,426,368	6,525,283	9,313,983	38,265,634	-
Total noncurrent liabilities	135,025,364	35,244,739	18,133,007	188,403,110	3,065,008
Total liabilities	149,738,891	39,113,647	18,722,528	207,575,066	6,999,341
Deferred inflows of resources					
Deferred pension amounts	204,778	68,259	102,390	375,427	-
Net position					
Net investment in capital assets	222,087,576	9,923,359	1,977,328	233,988,263	8,669,170
Restricted for debt retirement	1,800,929	-	-	1,800,929	-
Restricted for capital projects	-	152,246	-	152,246	-
Unrestricted (deficit)	3,656,464	4,693,509	(15,649,120)	(7,299,147)	4,108,531
Total net position	\$ 227,544,969	\$ 14,769,114	\$ (13,671,792)	\$ 228,642,291	\$ 12,777,701

The accompanying notes are an integral part of the financial statements.

CITY OF LANSING, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds				Governmental Activities
	Sewage Disposal System	Municipal Parking System	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Operating revenues					
Charges for services	\$ 35,752,812	\$ 8,422,161	\$ 6,741,084	\$ 50,916,057	\$ 85,397,512
Operating expenses					
Personnel services	8,371,242	1,872,284	1,961,265	12,204,791	8,644,110
Purchase of goods and services	10,216,365	2,114,909	3,062,380	15,393,654	74,773,138
Depreciation	10,595,778	980,505	388,030	11,964,313	2,180,737
Total operating expenses	29,183,385	4,967,698	5,411,675	39,562,758	85,597,985
Operating income (loss)	6,569,427	3,454,463	1,329,409	11,353,299	(200,473)
Nonoperating revenues (expenses)					
Interest revenue	943,555	1,451,501	50,966	2,446,022	-
Gain on sale of capital assets	-	4,202,895	-	4,202,895	64,820
Interest expense and fees	(2,756,591)	(2,114,300)	(14,586)	(4,885,477)	(174,413)
Capital contribution to others	-	-	(214,486)	(214,486)	-
Total nonoperating revenue (expenses)	(1,813,036)	3,540,096	(178,106)	1,548,954	(109,593)
Income (loss) before transfers	4,756,391	6,994,559	1,151,303	12,902,253	(310,066)
Transfers					
Transfers in	-	-	613,593	613,593	-
Transfers out	-	-	(32,776)	(32,776)	-
Total transfers	-	-	580,817	580,817	-
Change in net position	4,756,391	6,994,559	1,732,120	13,483,070	(310,066)
Net position, beginning of year	222,788,578	7,774,555	(15,403,912)	215,159,221	13,087,767
Net position, end of year	\$ 227,544,969	\$ 14,769,114	\$ (13,671,792)	\$ 228,642,291	\$ 12,777,701

The accompanying notes are an integral part of the financial statements.

CITY OF LANSING, MICHIGAN

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds				Governmental Activities
	Sewage Disposal System	Municipal Parking System	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Cash flows from operating activities					
Cash received from customers	\$ 35,756,653	\$ 9,236,731	\$ 6,684,983	\$ 51,678,367	\$ -
Cash received from interfund services	-	-	-	-	85,938,214
Cash payments for goods and services	(9,358,735)	(2,296,634)	(2,999,286)	(14,654,655)	(74,132,136)
Cash payments to employees	(7,265,840)	(2,565,758)	(3,433,958)	(13,265,556)	(8,777,275)
Net cash provided by operating activities	19,132,078	4,374,339	251,739	23,758,156	3,028,803
Cash flows from noncapital financing activities					
Transfers in	-	-	613,593	613,593	-
Transfers out	-	-	(32,776)	(32,776)	-
Net cash provided by noncapital financing activities	-	-	580,817	580,817	-
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	-	17,980,870	-	17,980,870	77,416
Acquisition and construction of capital assets	(8,047,242)	(1,749,665)	-	(9,796,907)	(1,318,930)
Capital contributions to others	-	-	(214,486)	(214,486)	-
Proceeds from issuance of long-term debt	9,785,317	6,210,000	-	15,995,317	-
Premium on issuance of long-term debt	795,207	325,232	-	1,120,439	-
Principal paid on long-term debt	(11,886,780)	(12,515,000)	(225,580)	(24,627,360)	(361,324)
Interest paid on long-term debt	(2,886,379)	(1,525,898)	(15,691)	(4,427,968)	(174,669)
Amount paid to refunding bond escrow agent	(8,569,870)	(6,556,333)	-	(15,126,203)	-
Payments received on capital lease	644,653	-	-	644,653	-
Net cash provided by (used in) capital and related financing activities	(20,165,094)	2,169,206	(455,757)	(18,451,645)	(1,777,507)
Cash flows from investing activities					
Interest and dividends received	946,889	374,776	50,966	1,372,631	-
Payments received on loans made to others	-	46,299	-	46,299	-
Net cash provided by investing activities	946,889	421,075	50,966	1,418,930	-
Net change in cash and cash equivalents	(86,127)	6,964,620	427,765	7,306,258	1,251,296
Cash and cash equivalents, beginning of year	41,782,746	11,180,287	1,490,292	54,453,325	6,185,951
Cash and cash equivalents, end of year	\$ 41,696,619	\$ 18,144,907	\$ 1,918,057	\$ 61,759,583	\$ 7,437,247
Reconciliation to statement of net position					
Cash and cash equivalents	\$ 787	\$ 3,221,027	\$ 23,568	\$ 3,245,382	\$ -
Equity in pooled cash and investments	39,270,669	14,771,634	1,894,489	55,936,792	7,437,247
Restricted cash and cash equivalents	2,425,163	152,246	-	2,577,409	-
	\$ 41,696,619	\$ 18,144,907	\$ 1,918,057	\$ 61,759,583	\$ 7,437,247

continued...

CITY OF LANSING, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds				Governmental Activities
	Sewage Disposal System	Municipal Parking System	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ 6,569,427	\$ 3,454,463	\$ 1,329,409	\$ 11,353,299	\$ (200,473)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	10,595,778	980,505	388,030	11,964,313	2,180,737
Change in:					
Accounts receivable	3,843	413,032	(44,965)	371,910	540,702
Inventories	105,313	-	-	105,313	(10,114)
Prepays	-	(124,355)	-	(124,355)	(290,033)
Due from other funds	(2)	401,538	-	401,536	-
Deferred outflows - pension	275,239	140,682	267,971	683,892	-
Deferred outflows - OPEB	(358,721)	(104,375)	(148,982)	(612,078)	-
Accounts payable	752,317	(56,140)	63,094	759,271	941,149
Accrued payroll	3,913	1,023	22	4,958	9,807
Claims incurred but not reported	-	-	-	-	(150,000)
Due to component units	-	(1,230)	-	(1,230)	-
Unearned revenues	-	-	(11,136)	(11,136)	-
Compensated absences	(17,198)	(6,434)	7,655	(15,977)	7,028
Net pension liability	2,006,958	(140,095)	(1,151,668)	715,195	-
Deferred inflows - pension	(138,385)	(65,184)	(119,949)	(323,518)	-
Net other postemployment benefit liability	189,140	(258,110)	29,466	(39,504)	-
Deferred inflows - OPEB	(855,544)	(260,981)	(357,208)	(1,473,733)	-
Net cash provided by operating activities	\$ 19,132,078	\$ 4,374,339	\$ 251,739	\$ 23,758,156	\$ 3,028,803

concluded

The accompanying notes are an integral part of the financial statements.

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CITY OF LANSING, MICHIGAN

Fiduciary Fund Financial Statements

Pension and Other Postemployment Benefit Trust Funds - Employee pension and other postemployment benefit trust funds accept payments made by the City, invest fund resources, calculate and pay pensions to retirees (or beneficiaries), and account for postemployment healthcare coverage.

Combining schedules for fiduciary funds are presented in the notes to the financial statements.

Agency Funds - These funds account for resources held in a trustee or agent capacity for the 54-A District Court.

Combining statements for agency funds are presented, by fund type, within the Combining and Individual Fund Financial Statements and Schedules section of this report as noted in the table of contents.

CITY OF LANSING, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2019

	Pension and Other Postemployment Benefit Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 10,000,828	\$ -
Equity in pooled cash and investments	4,402,694	76,818
Investments:		
U.S. treasuries	19,401,838	-
U.S. agencies	32,829,852	-
Collateralized mortgage obligations	930,732	-
Mutual funds	364,216,954	-
Domestic equities	110,842,048	-
International equities	1,955,119	-
Emerging market equities	11,692,856	-
Money market funds	9,141,606	-
Dividends and interest receivable	445,695	-
Total assets	<u>565,860,222</u>	<u>\$ 76,818</u>
Liabilities		
Accounts payable	437,701	\$ -
Undistributed receipts	-	76,818
Total liabilities	<u>437,701</u>	<u>\$ 76,818</u>
Net position restricted for		
Pension benefits	462,739,731	
Other postemployment benefits	102,682,790	
Total net position	<u>\$ 565,422,521</u>	

The accompanying notes are an integral part of the financial statements.

CITY OF LANSING, MICHIGAN

Statement of Changes in Fiduciary Net Position

Pension and Other Postemployment Benefits Trust Funds
For the Year Ended June 30, 2019

Additions

Investment income:

Net appreciation in fair value of investments	\$ 30,539,239
Interest income	58,089
Dividend income	898,000
Investment expenses	(1,753,200)

Net investment income	<u>29,742,128</u>
-----------------------	-------------------

Contributions:

Employer	49,957,231
Plan members	<u>4,869,154</u>

Total contributions	<u>54,826,385</u>
---------------------	-------------------

Total additions	<u>84,568,513</u>
------------------------	--------------------------

Deductions

Participant benefits	78,923,796
Administrative expense	<u>1,272,294</u>

Total deductions	<u>80,196,090</u>
-------------------------	--------------------------

Change in net position	4,372,423
-------------------------------	------------------

Net position restricted for pension and other postemployment benefits

Beginning of year	<u>561,050,098</u>
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End of year	<u>\$ 565,422,521</u>
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The accompanying notes are an integral part of the financial statements.

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COMPONENT UNITS

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CITY OF LANSING, MICHIGAN

Discretely Presented Component Units

Discretely presented component units are entities that are legally separate from the City but for which the City is financially accountable, or their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The City has three discretely presented component units:

- Brownfield Redevelopment Authority
- Tax Increment Finance Authority
- Lansing Entertainment and Public Facilities Authority

Complete financial statements for each of the individual component units may be obtained from the entity's administrative offices.

CITY OF LANSING, MICHIGAN

Combining Statement of Net Position

Discretely Presented Component Units

June 30, 2019

	Brownfield Redevelopment Authority	Tax Increment Finance Authority	Lansing Entertainment & Public Facilities Authority	Totals
Assets				
Cash and cash equivalents	\$ 3,929,091	\$ 1,158,738	\$ 1,163,424	\$ 6,251,253
Receivables, net	189,176	-	861,751	1,050,927
Due from primary government	-	145	-	145
Inventories, prepaids and other assets	-	-	154,302	154,302
Restricted cash and cash equivalents	-	2,758,415	80,000	2,838,415
Capital assets being depreciated, net	-	-	23,352	23,352
Total assets	4,118,267	3,917,298	2,282,829	10,318,394
Deferred outflows of resources				
Deferred charge on refunding	-	1,090,578	-	1,090,578
Liabilities				
Accounts payable and accrued liabilities	1,345,618	-	737,328	2,082,946
Accrued interest payable	-	214,705	-	214,705
Unearned revenues	-	-	501,429	501,429
Long-term debt:				
Due within one year	-	254,719	-	254,719
Due in more than one year	500,000	44,440,618	-	44,940,618
Total liabilities	1,845,618	44,910,042	1,238,757	47,994,417
Net position				
Investment in capital assets	-	-	23,352	23,352
Restricted for Cooley Stadium	-	-	80,000	80,000
Unrestricted (deficit)	2,272,649	(39,902,166)	940,720	(36,688,797)
Total net position	\$ 2,272,649	\$ (39,902,166)	\$ 1,044,072	\$ (36,585,445)

The accompanying notes are an integral part of the financial statements.

CITY OF LANSING, MICHIGAN

Combining Statement of Activities

Discretely Presented Component Units

For the Year Ended June 30, 2019

	Brownfield Redevelopment Authority	Tax Increment Finance Authority	Lansing Entertainment & Public Facilities Authority	Totals
Expenses				
Brownfield redevelopment	\$ 4,250,976	\$ -	\$ -	\$ 4,250,976
Community development	-	3,590,401	-	3,590,401
Recreation and culture	-	-	10,658,863	10,658,863
Total expenses	4,250,976	3,590,401	10,658,863	18,500,240
Program revenues				
Charges for services	-	-	8,761,416	8,761,416
Operating grants and contributions	778,932	-	1,346,300	2,125,232
Total program revenues	778,932	-	10,107,716	10,886,648
Net program (expense) revenue	(3,472,044)	(3,590,401)	(551,147)	(7,613,592)
General revenues				
Property taxes	3,036,500	2,879,420	386,438	6,302,358
Unrestricted investment earnings	18,311	130,614	-	148,925
Total general revenues	3,054,811	3,010,034	386,438	6,451,283
Changes in net position	(417,233)	(580,367)	(164,709)	(1,162,309)
Net position, beginning of year	2,689,882	(39,321,799)	1,208,781	(35,423,136)
Net position, end of year	\$ 2,272,649	\$ (39,902,166)	\$ 1,044,072	\$ (36,585,445)

The accompanying notes are an integral part of the financial statements.

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NOTES TO FINANCIAL STATEMENTS

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CITY OF LANSING, MICHIGAN

Index - Notes to Financial Statements

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CITY OF LANSING, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lansing (the "City") was incorporated in 1859. In 1909, the City came under the provisions of Act 279, P.A. 1909, as amended ("Home Rule City Act"). The City operates under a strong Mayor form of government in which the Mayor is responsible for implementation and administration of City policy as established by City Council.

The accounting and reporting policies of the City conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). Following is a summary of the significant policies:

Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The financial data of the component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Blended Component Unit

A blended component unit is a legally separate entity from the City but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and its financial data is combined with data of the appropriate funds. The City has one blended component unit, the Building Authority with a fiscal June 30 year-end. This component unit provides services primarily to benefit the City. The blended unit is described as follows:

The **City of Lansing Building Authority** (the "Authority") was established by the City under Act 31, Michigan Public Acts of 1948. The Mayor, with the advice and consent of City Council, appoints the Authority's governing body and designates management. The Authority uses the proceeds of its tax-exempt bonds to finance the construction or acquisition of capital assets for the City only. The bonds are secured by lease agreements with the City and will be retired through lease payments from the City. The financial activity, assets, liabilities and equity of the Authority are incorporated within the City's Municipal Parking System enterprise fund.

Discretely Presented Component Units

Discretely presented component units are entities that are legally separate from the City but for which the City is financially accountable, or their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The discretely presented component units are as follows:

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

The **Lansing Brownfield Redevelopment Authority ("LBRA")** was established by the City on August 17, 1997, under the authority contained in Act 381, Michigan Public Acts of 1996 (the "Act"). The Act authorizes the City to establish and to designate the boundaries of a Brownfield redevelopment zone. The Brownfield Redevelopment Authority is appointed by City Council to preside over such a zone, and it is authorized to promote the revitalization of environmentally distressed areas within the City of Lansing. The Act allows the LBRA to participate in a broad range of improvement activities intended to encourage the reuse of industrial and commercial property by offering economic incentives for redevelopment to prevent property value deterioration. Tax increment financing plans must be approved by the City.

Tax increment financing permits the LBRA to capture tax revenues which are attributable to increases in the value of real and personal property located within an approved project area. Current activities of the LBRA include collections of property tax revenues on project areas for the Rite Aid Pharmacy and the former Motor Wheel Site Plant.

The **Tax Increment Finance Authority ("TIFA")** was established by the City under the authority contained in Act 450, Michigan Public Acts of 1981 ("Act 450"). Act 450 authorizes the City to designate specific districts within its corporate limits as TIFA districts. The TIFA presides over such districts, formulating plans for public improvements, economic development, neighborhood revitalization, and historic preservation within the districts. Act 450 allows the TIFA to participate in a broad range of improvement activities intended to contribute to economic growth and prevent property value deterioration. The TIFA's governing body is appointed by the Mayor with the advice and consent of the City Council. Bond issuances, to fund the above activities, are approved by the City Council and the legal liability for the debt remains with the City.

The **Lansing Entertainment and Public Facilities Authority ("LEPFA")** was established under the charter of the City of Lansing, Michigan in February 1996, replacing the former Greater Lansing Convention/Exhibition Authority, which had been responsible for operating and managing the Lansing Center and the Lansing Civic Arena (the latter through the fiscal year ended June 30, 1995). LEPFA was established to oversee the management and operations of the Lansing Center, the City Market and the Cooley Law School Stadium.

LEPFA is chartered as a building authority under the provisions of Act 31, Public Acts of Michigan, 1948. In the event of dissolution or termination of LEPFA, all assets and rights of the Authority shall revert to the City. LEPFA's Board of Commissioners consists of thirteen members appointed by the Mayor of the City of Lansing and approved by the City Council.

Component Unit Financial Statements

Complete financial statements for the individual component units may be obtained from each entity's administrative offices.

City of Lansing Building Authority
8th Floor
124 West Michigan Avenue
Lansing, Michigan 48933

Brownfield Redevelopment Authority / Tax Increment Finance Authority
1000 S Washington Avenue, Suite 201
Lansing, Michigan 48910

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Lansing Entertainment and Public Facilities Authority
333 East Michigan Avenue
Lansing, Michigan 48933

Joint Venture

In 1998, the City entered into an agreement with Ingham County (the "County") to form the City of Lansing and County of Ingham Joint Building Authority (JBA) for the purpose of constructing and managing a building in downtown Lansing that houses the courts, prosecuting attorney and other related departments. The JBA is governed by a three-member board composed of one member each appointed by the City and the County and one appointed jointly by the two units. Both the County and the City contribute cash and/or property to the JBA. Bonds were issued in 1999 by the JBA to provide the funding necessary to construct the building. Because the joint venture agreement does not provide an explicit contractual formula outlining the City's claim to the JBA's assets, it is considered to be a "joint venture with no equity interest" and accordingly, no amounts are reported in the accompanying financial statements for an equity interest. Financial information for the JBA may be obtained by writing the Ingham County Financial Services Division, P.O. Box 319, Mason, Michigan 48854.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues reported in the governmental funds to be available if they are collected within three months after year-end, except for income taxes that use a 45-day collection period, property taxes that use a 60-day collection period, and reimbursement-based grants that use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and as such have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

General Fund. This fund is the City's primary operating fund. It accounts for all the financial resources of the primary government, except those accounted for and reported in another fund.

The City reports the following major enterprise funds:

Sewage Disposal System Fund. This fund accounts for the provision of sewage disposal services to the residents of the City.

Municipal Parking System Fund. This fund accounts for the operation of City-owned parking facilities.

Additionally, the City reports the following fund types:

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects that comprise, or are expected to comprise a substantial portion of the fund's total reported inflows.

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal, interest and related costs.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Permanent Funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

Enterprise Funds account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Internal Service Funds account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. This includes operating a maintenance facility for trucks and equipment used by the Public Service Department, health care and self-insurance services, and information technology.

Pension and Other Postemployment Benefit Trust Funds account for the accumulation of resources to be used for retirement annuity payments to eligible full-time employees of the City, certain healthcare costs, and other retirement distributions.

The *Agency Fund* account for resources held in a fiduciary capacity for the 54-A District Court.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Restricted net position are assets that are subject to restrictions beyond the government's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

Deposits and Investments

The City maintains an investment pool for all City funds. Each fund's portion of the investment pool is displayed on the statement of net position/balance sheet as "equity in pooled cash." The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Restricted cash consists of amounts required to be maintained separately in accordance with bond

State statutes authorize the City to invest in:

Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.

Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

Bankers' acceptances of United States banks.

Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.

Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value.

Unrealized appreciation or depreciation on pension and other postemployment benefit trust fund investments due to changes in fair value are recognized each year.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Receivables/Payables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due to/from other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program grants and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable project costs are incurred. Amounts received in advance of project costs being incurred are reported as unearned revenue.

Certain receivables in governmental funds consist of rehabilitation and redevelopment loans that are generally not expected or scheduled to be collected in the subsequent year.

Leases receivable consist of amounts collectible from local municipalities for which the City has irrevocably pledged its full faith and credit as collateral for certain construction and improvement bonds. In accordance with contractual agreements, these entities will provide all future amounts due for bond principal and accrued interest payable. The receivable has been reported as current based on the amounts to be collected next year to satisfy obligations.

Inventories and Prepaids

All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. In governmental funds, prepaid items are charged to expenditures using the consumption method.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items acquired or constructed since June 30, 1980), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets having a useful life in excess of three years and whose costs exceed \$5,000 (\$100,000 for buildings). Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are recorded at their estimated acquisition cost as of the donation date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the asset constructed.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings	20-50
Improvements	8-50
Equipment	3-15
Sanitary sewers	50
Infrastructure	10-75

In addition to land and construction in progress, the amount presented as capital assets not being depreciated includes intangible assets consisting of land development rights acquired for the purpose of farmland and ranch preservation. Land development rights are deemed to have an indefinite useful life, and therefore are not being amortized.

The City reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred the asset is written down to its net realizable value and a current charge to income is recognized.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports a deferred charge on advance bond refunding for the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also reports deferred outflows of resources for changes in expected and actual investments returns, assumptions, and benefits provided, related to the net pension and other postemployment benefit liabilities.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and compensatory time benefits, subject to certain limitations. Certain bargaining unit employees are also permitted to accumulate earned but unused sick leave. All vacation and compensatory time pay and 50% of sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Unearned Revenue

Unearned revenue consists of amounts received prior to the delivery of goods/service or expenditure on allowable costs.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line basis. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also reports deferred inflows of resources for changes in expected and actual investments returns, assumptions, and benefits provided, related to the net pension and other postemployment benefit liabilities.

Fund Balances

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Council. A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports *assigned fund balance* for amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The City Council has not delegated the authority to assign fund balance. Unassigned fund balance is the residual classification for the General Fund. In other funds, the unassigned classification is used to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the City's policy to use restricted fund balance first, then committed, assigned, and finally unassigned.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the City. Balances outstanding at year-end are reported as due to/from other funds. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Internal service funds are used to record charges for services to all City departments and funds as transfers or operating revenue. All City funds record these payments to the internal service funds as transfers or operating expenditures/expenses.

Pension and Other Postemployment Benefit Plans

For purposes of measuring the net pension and other postemployment benefit liabilities, deferred outflows of resources and deferred inflows of resources related pensions and other postemployment benefits, and pension and other postemployment benefit expense, information about the fiduciary net position of the plans and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City utilizes various investment instruments which are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the financial statements.

2. BUDGETARY INFORMATION

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- On or before the fourth Monday in March, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
- Public hearings are conducted to obtain taxpayer comments.
- Not later than the third Monday in May, the Council adopts a budget through passage of a resolution.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

- The appropriated budget is prepared by fund, department and the mandatory expenditure accounts as established by the State of Michigan's Uniform Chart of Accounts. Within the General Fund, the legal level of budgetary control is the mandatory expenditure accounts (personal services, supplies and operating expenses, capital outlay, debt service, transfers, and contingency) within each department. Within other funds, the legal level of budgetary control is the mandatory expenditure accounts (personal services, supplies and operating expenses, capital outlay, debt service, transfers, and contingency) within that fund. Transfers between appropriations (mandatory accounts) require City Council approval. An exception to City Council approval is allowed by City Charter for transfers between appropriations (mandatory accounts) for amounts less than five thousand dollars, but not in excess of 15% of the appropriation in cases where five thousand dollars exceeds 15% of the appropriation.

Copies of the City's separately issued budget report may be obtained from the Finance Department, 124 West Michigan Avenue, Lansing, Michigan 48933.

- The City formally adopts operating budgets for the General Fund and all special revenue funds.
- Budgetary integration is employed as a management control device during the year for all budgeted funds. Except for the General Fund, these budgets are adopted on a basis consistent with generally accepted accounting principles ("GAAP"). In the General Fund, capital lease payments / installment payments are budgeted, but capital lease acquisitions are not. There were no capital lease acquisitions during the year ended June 30, 2019.
- Appropriations lapse at year-end for all annual budgets. Appropriations are automatically carried forward for project-type budgets.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2019, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General fund:			
General government:			
Attorney's office	\$ 2,168,300	\$ 3,181,864	\$ 1,013,564
City clerk	1,197,000	1,356,153	159,153
Finance	5,471,600	8,373,425	2,901,825
Library rental	150,000	151,846	1,846
Human resources	2,118,000	2,121,102	3,102
Public works	11,572,500	11,615,556	43,056
Nonmajor governmental funds:			
Major streets fund:			
Current expenditures:			
Principal	376,200	471,930	95,730
Interest	150,000	175,055	25,055
Other financing uses:			
Payment to refunding bond escrow agent	-	1,995,908	1,995,908
Local streets fund:			
Current expenditures:			
Highways and streets	5,413,600	5,679,276	265,676
Interest	279,000	359,124	80,124
Other financing uses:			
Payment to refunding bond escrow agent	-	5,745,455	5,745,455
State and federal grants fund:			
Public works	-	17,339	17,339

The above budgeted amounts are presented at the activity level, which is the required minimum level of control per the Michigan Uniform Budget Manual.

The budget variance in the attorney's office was due to the settlement of lawsuits of \$1,306,000. The variance in finance was due primarily to IRS penalties of \$2,500,000 and bad debt write-offs of \$287,281.

3. DEFICIT FUND EQUITY

The Special Assessments Capital Projects Fund reported a deficit fund balance of \$115,546. The fund received a long-term advance from the general fund that was used to provide the working capital for the fund in prior years. The deficit is the result of deferred special assessments receivable. As special assessments are collected, this deficit will be eliminated, and the advance repaid.

The Cemetery, Garbage and Rubbish Collection, and Recycling Enterprise Funds reported deficits in unrestricted fund net position of \$2,284,746, \$4,642,640, and \$8,721,734, respectively, as a result of the net pension and net other postemployment benefit liabilities.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

The Tax Increment Finance Authority component unit reported a deficit in unrestricted net position of \$39,902,166 at June 30, 2019. The deficit is a result of full-accrual accounting for long-term debt, without reflecting a corresponding receivable for tax captures to be received in future periods (which cannot be accrued in accordance with generally accepted accounting principles).

4. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit and investment balances for the primary government (including both pooled cash and investments as well as pension and other postemployment benefit (OPEB) trust fund balances) as of June 30, 2019:

	Primary Government	Component Units	Totals
Statement of net position			
Cash and investments	\$ 104,311,595	\$ 6,251,253	\$ 110,562,848
Restricted cash and investments	2,577,409	2,838,415	5,415,824
Statement of fiduciary net position			
Pension and OPEB trust funds:			
Cash and cash equivalents	10,000,828	-	10,000,828
Equity in pooled cash and investments	4,402,694	-	4,402,694
Investments	551,011,005	-	551,011,005
Agency funds:			
Equity in pooled cash and investments	76,818	-	76,818
Total	\$ 672,380,349	\$ 9,089,668	\$ 681,470,017
Deposits and investments			
Bank deposits:			
Checking/savings accounts			\$ 96,412,183
Investment in securities and mutual funds:			
Pooled investments			31,138,994
Employees' retirement system investments			192,414,946
Police and fire retirement system investments			325,108,126
Employees' money purchase pension plan investments			2,952,671
Retiree health care VEBA investments			30,535,262
Tax increment finance authority investments			2,758,415
Total investment in securities and mutual funds			584,908,414
Cash on hand			149,420
Total			\$ 681,470,017

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year-end, \$99,363,674 of the City's bank balance of \$102,118,122 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The City's investment policy does not specifically address this risk, although the City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

Credit Risk. State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings, where applicable, are summarized as follows:

S&P AAAm	\$ 26,351,987
S&P AA+	1,599,170
Unrated	867,005
Assets not subject to credit risk	<u>2,320,832</u>
Total	<u><u>\$ 31,138,994</u></u>

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. For investments held at year-end maturities are as follows:

Due within 1 year	\$ 26,940,233
1-5 years	1,877,929
No maturity	<u>2,320,832</u>
Total	<u><u>\$ 31,138,994</u></u>

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset, as determined by the City's investment advisors. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs.

Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Debt securities are valued by the City's investment custodian using independent pricing services based on the type of asset. The pricing services may use valuation models or matrix pricing, which consider: (a) benchmark yields, (b) reported trades, (c) broker/dealer quotes, (d) benchmark securities, (e) bids or offers, and (f) reference data. The City's level 2 investments as noted in the table below are valued using significant other observable inputs of the underlying securities.

	Level 1	Level 2	Level 3	Total
U.S. treasuries	\$ -	\$ 2,466,175	\$ -	\$ 2,466,175
Money market funds	2,221,977	-	-	2,221,977
	<u>\$ 2,221,977</u>	<u>\$ 2,466,175</u>	<u>\$ -</u>	<u>\$ 4,688,152</u>
Investments carried at net asset value:				
Michigan CLASS government investment pool				<u>26,450,842</u>
Total investments				<u>\$ 31,138,994</u>

Investments in Entities that Calculate Net Asset Value per Share. The City holds shares in Michigan CLASS whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

At year end, the net asset value of the City's investment in Michigan CLASS was \$26,450,842. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies.

Pension and Other Postemployment Benefit Trust Funds

The deposits and investments of the City's pension and other postemployment benefit trust funds are maintained separately from the City's pooled cash and investments, and are subject to separate investment policies and State statutes. Accordingly, the required disclosures for the pension and OPEB deposits and investments are presented separately.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Deposits

The pension and OPEB trust funds do not maintain any checking or other demand/time deposit accounts. Amounts reported as cash and cash equivalents in the statement of plan net position are composed entirely of short-term investments in money market accounts.

Investments

The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the pension trust funds to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The retirement boards have the responsibility and authority to oversee the investment portfolio. Various professional investment managers are contracted to assist in managing the pension trust funds' assets. All investment decisions are subject to Michigan law and the investment policy established by the retirement boards.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

The investments of each pension trust fund are held in a bank administered trust fund. Following is a summary of pension and other postemployment benefits investments as of June 30, 2019:

	Employees' Retirement System	Police and Fire Retirement System	Employees' Money Purchase Pension Plan	Retiree Health Care VEBA	Totals
Investments					
U.S. treasuries:					
Not on securities loan	\$ 5,304,420	\$ 7,329,275	\$ -	\$ -	\$ 12,633,695
On securities loan	3,353,474	3,414,669	-	-	6,768,143
U.S. agencies:					
Not on securities loan	14,959,810	17,870,042	-	-	32,829,852
On securities loan	-	-	-	-	-
Collateralized mortgage obligations	187,346	743,386	-	-	930,732
Domestic corporate securities mutual funds:					
Not on securities loan	21,587,284	33,836,262	-	-	55,423,546
Real estate investment funds	19,320,190	24,877,312	-	-	44,197,502
Equity mutual funds	-	-	-	-	-
International equity mutual funds	66,559,683	92,886,663	163,248	3,346,741	162,956,335
Domestic equity mutual funds	17,329,443	37,967,428	2,525,357	12,340,479	70,162,707
Domestic debt securities mutual funds	-	-	264,066	13,251,852	13,515,918
International debt securities mutual funds	-	17,960,946	-	-	17,960,946
Private equity partnerships	-	-	-	-	-
Domestic equities:					
Not on securities loan	28,681,369	59,932,481	-	-	88,613,850
On securities loan	8,765,797	13,462,401	-	-	22,228,198
International equities:					
Not on securities loan	679,519	1,275,600	-	-	1,955,119
Emerging markets equities	3,580,659	7,283,009	-	829,188	11,692,856
Money market funds	2,105,952	6,268,652	-	767,002	9,141,606
Total investments	\$ 192,414,946	\$ 325,108,126	\$ 2,952,671	\$ 30,535,262	\$ 551,011,005

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Credit Risk. The City's pension investment policies provide that at least 90% of its investments in fixed income securities be rated BBB- or better by a nationally recognized statistical rating organization and the remaining 10% be rated at least B- or better. The City's pension and other postemployment benefits investments were rated by Standard & Poor's as follows:

	Employees' Retirement System	Police and Fire Retirement System	Employees' Money Purchase Pension Plan	Retiree Health Care VEBA	Totals
AAA	\$ 123,687	\$ 152,200	\$ 23,325	\$ -	\$ 299,212
AA	-	-	173,252	-	173,252
A	-	-	-	4,405,262	4,405,262
BBB	-	-	-	8,846,590	8,846,590
BB	-	-	67,489	-	67,489
US government guaranteed	18,651,049	23,683,255	-	-	42,334,304
Not rated	28,723,550	45,626,831	-	-	74,350,381
Assets not subject to credit risk	144,916,660	255,645,840	2,688,605	17,283,410	420,534,515
	<u>\$ 192,414,946</u>	<u>\$ 325,108,126</u>	<u>\$ 2,952,671</u>	<u>\$ 30,535,262</u>	<u>\$ 551,011,005</u>

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's pension investment policies require that investment securities be held in trust by a third-party institution in the name of the pension trust fund. As such, although uninsured and unregistered, the City's pension investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the name of the pension trust fund. Short-term investments in money market funds and open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

Concentration of Credit Risk. At June 30, 2019, the pension and other postemployment benefits investment portfolio was concentrated as follows:

Investment Type	Issuer	Employees' Retirement System	Police and Fire Retirement System
Corporate bonds	Western Asset Funds, Inc.	11.2%	10.4%
Common stock	Northern Trust Bank, N.A.	8.3%	11.7%
U.S. government securities	United State of America	6.2%	4.3%

The City's pension and other postemployment benefits investment policies require diversification of fixed income securities; however, they do not specify percentages of dollar amounts by industry or issuer.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The pension and other postemployment benefits trusts' exposure to foreign currency risk is as follows:

Investment (currency in U.S. dollar)	Employees' Retirement System	Police and Fire Retirement System	Employees' Money Purchase Pension Plan	Retiree Health Care VEBA	Totals
International equities:					
Canada	\$ 384,714	\$ 697,551	\$ -	\$ -	\$ 1,082,265
Italy	44,713	109,281	-	-	153,994
Netherlands	21,669	53,393	-	-	75,062
United Kingdom	15,762	38,823	-	-	54,585
France	42,233	103,100	-	-	145,333
Israel	170,428	273,452	-	-	443,880
International mutual funds	66,559,683	110,847,609	163,248	3,346,741	180,917,281
Total	\$ 67,239,202	\$ 112,123,209	\$ 163,248	\$ 3,346,741	\$ 182,872,400

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The City's pension investment policies provide that the average duration of fixed income securities shall not deviate from the Lehman Brothers Aggregate Index duration by +/-20%. As of June 30, 2019, maturities of the City's pension and other postemployment benefits trust debt securities, money market funds and collateralized mortgage obligations were as follows:

Investment Maturities (Fair Value)					
	Less than 1 year	1-5 years	6-10 years	More than 10 years	Total
Employees' Retirement System					
U.S. government bonds	\$ -	\$ 3,430,542	\$ 3,978,355	\$ 1,248,997	\$ 8,657,894
U.S. agencies	325,448	444,959	-	-	770,407
U.S. government mortgage backed securities	-	248,805	742,005	12,172,320	13,163,130
U.S. government issued commercial mortgage backed securities	-	416,974	123,687	485,612	1,026,273
Commercial mortgage backed securities	-	41,939	-	145,407	187,346
Total	\$ 325,448	\$ 4,583,219	\$ 4,844,047	\$ 14,052,336	23,805,050
Fixed income investments with no maturity:					
Domestic corporate securities mutual funds					21,587,284
Money market funds					2,105,952
Total investments					\$ 47,498,286

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Investment Maturities (Fair Value)					
	Less than 1 year	1-5 years	6-10 years	More than 10 years	Total
Police and Fire Retirement System					
U.S. government bonds	\$ -	\$ 5,440,390	\$ 4,067,987	\$ 1,235,567	\$ 10,743,944
U.S. agencies	401,725	616,509	-	-	1,018,234
U.S. government mortgage backed securities	-	208,664	1,465,184	13,753,013	15,426,861
U.S. government issued commercial mortgage backed securities	-	756,084	152,200	516,663	1,424,947
Commercial mortgage backed securities	-	53,922	-	689,464	743,386
Total	\$ 401,725	\$ 7,075,569	\$ 5,685,371	\$ 16,194,707	29,357,372
Fixed income investments with no maturity:					
Domestic corporate securities mutual funds					33,836,262
Money market funds					6,268,652
Total investments					\$ 69,462,286

Investment Maturities (Fair Value)		
	1-5 years	Total
Employees' Money Purchase Pension Plan		
Domestic debt securities	\$ 173,252	\$ 264,066
		Investment Maturities (Fair Value)
		1-5 years

Retiree Health Care VEBA	
Domestic debt securities	\$ 13,251,852

Securities Lending. Under contracts approved by the City, the pension and other postemployment benefits trust funds are permitted to lend their securities to broker-dealers and banks (borrowers) for collateral that will be returned for the same securities in the future. The pension trust and other postemployment benefits funds' custodial banks manage the securities lending programs and receive cash as collateral. Collateral cash is initially pledged at 100% of the fair value of the securities lent, and may not fall below 95% of the market value of the loaned security during the term of the loan. At all times, collateral cannot be more than \$100,000 less than the market value of the loaned security. There are no restrictions on the amount of securities that can be loaned.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Securities on loan at year-end are classified in the preceding schedule of custodial credit risk according to the category for the collateral received on the securities lent. At year-end, the pension trust funds have no credit risk exposure to borrowers because the collateral held by the custodians exceeds the market value of the related securities lent. At June 30, 2019, the fair value of securities on loan by the Employees' Retirement System and the Police and Fire Retirement System were \$12,119,271 and \$16,877,070, respectively, for which the Plans' received cash collateral of \$12,324,587 and \$17,147,852, respectively. The contract with the pension and other postemployment benefits trust fund custodians require them to indemnify the City if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the City for income distributions by the securities' issuers while the securities are on loan.

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset, as determined by the City's investment advisors. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs.

Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Debt securities are valued by the Plans' investment custodian using independent pricing services based on the type of asset. The pricing services may use valuation models or matrix pricing, which consider: (a) benchmark yields, (b) reported trades, (c) broker/dealer quotes, (d) benchmark securities, (e) bids or offers, and (f) reference data. Asset-backed and mortgage-backed securities funds are valued based on the future cash flows of the principal and interest payments of the underlying collateral of mortgages on various assets. The Plans' level 2 investments as noted in the tables below are valued using significant other observable inputs of the underlying securities.

The City has the following recurring fair value measurements as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Employees' Retirement System				
U.S. treasuries	\$ -	\$ 8,657,894	\$ -	\$ 8,657,894
U.S. agencies	-	14,959,810	-	14,959,810
Collateralized mortgage obligations	187,346	-	-	187,346
Mutual funds	105,476,410	19,320,190	-	124,796,600
Domestic equities	37,447,166	-	-	37,447,166
International equities	679,519	-	-	679,519
Emerging market equities	3,580,659	-	-	3,580,659
Money market funds	2,105,952	-	-	2,105,952
	<u>\$ 149,477,052</u>	<u>\$ 42,937,894</u>	<u>\$ -</u>	<u>\$ 192,414,946</u>

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

	Level 1	Level 2	Level 3	Total
Police and Fire Retirement System				
U.S. treasuries	\$ -	\$ 10,743,944	\$ -	\$ 10,743,944
U.S. agencies	-	17,870,042	-	17,870,042
Collateralized mortgage obligations	743,386	-	-	743,386
Mutual funds	161,618,567	22,882,772	-	184,501,339
Domestic equities	73,394,882	-	-	73,394,882
International equities	1,275,600	-	-	1,275,600
Emerging market equities	7,283,009	-	-	7,283,009
Money market funds	6,268,652	-	-	6,268,652
	<u>\$ 250,584,096</u>	<u>\$ 51,496,758</u>	<u>\$ -</u>	<u>302,080,854</u>

Investments carried at net asset value:

Real estate investment trusts	1,994,540
International equity mutual funds	<u>21,032,732</u>

Total investments \$ 325,108,126

Net Asset Value Investments. Certain investments noted above are carried at net asset value as these are not actively traded. The fair value is estimated based on the dollar value per share as of June 30, 2019. These investments are able to be liquidated as needed, to the extent there is a willing buyer in the market. There are not any restrictions related to the sale of these investments. At June 30, 2019, the City had \$2,087,085 outstanding on initial commitments of \$8,600,000 with the Invesco Mortgage Recovery Fund (the "Fund"). The Fund has a seven year life, and the intent is to sell all of the investments prior to the Fund's maturity. The other investments at net asset value do not contain required redemption periods.

	Level 1	Level 2	Level 3	Total
Employees' Money Purchase Pension Plan				
Mutual funds	<u>\$ 2,952,671</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,952,671</u>

	Level 1	Level 2	Level 3	Total
Retiree Health Care VEBA				
Emerging market equities	\$ 829,188	\$ -	\$ -	\$ 829,188
Mutual funds	28,939,072	-	-	28,939,072
Money market funds	767,002	-	-	767,002
	<u>\$ 30,535,262</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,535,262</u>

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

5. RECEIVABLES

Receivables are comprised of the following:

	Governmental Activities	Business-type Activities	Component Units
Accounts receivable	\$ 9,427,662	\$ 5,555,246	\$ 861,751
Taxes receivable	845,163	-	-
Special assessments receivable	191,201	-	-
Loans receivable	1,222,523	-	189,176
Accrued interest receivable	2,172,446	129,283	-
Due from other governments	10,488,669	-	-
Lease receivable	-	23,556,870	-
Allowance for uncollectible accounts	(735,770)	(490,031)	-
	<u>\$ 23,611,894</u>	<u>\$ 28,751,368</u>	<u>\$ 1,050,927</u>
Amount not expected to be collected within one year	<u>\$ 3,549,532</u>	<u>\$ 22,898,882</u>	<u>\$ 160,744</u>

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 25,302,787	\$ -	\$ -	\$ -	\$ 25,302,787
Capital assets, being depreciated:					
Land improvements	23,198,836	3,390,050	-	-	26,588,886
Equipment and vehicles	39,972,462	2,233,901	(1,075,181)	-	41,131,182
Buildings	136,275,787	-	-	-	136,275,787
Infrastructure	302,543,589	3,194,412	-	-	305,738,001
	<u>501,990,674</u>	<u>8,818,363</u>	<u>(1,075,181)</u>	<u>-</u>	<u>509,733,856</u>
Less accumulated depreciation for:					
Land improvements	(11,399,792)	(1,119,103)	-	-	(12,518,895)
Equipment and vehicles	(32,412,514)	(2,544,261)	1,062,585	-	(33,894,190)
Buildings	(86,216,812)	(4,426,131)	-	-	(90,642,943)
Infrastructure	(214,151,740)	(4,561,036)	-	-	(218,712,776)
	<u>(344,180,858)</u>	<u>(12,650,531)</u>	<u>1,062,585</u>	<u>-</u>	<u>(355,768,804)</u>
Total capital assets being depreciated, net	<u>157,809,816</u>	<u>(3,832,168)</u>	<u>(12,596)</u>	<u>-</u>	<u>153,965,052</u>
Governmental activities capital assets, net	<u>\$ 183,112,603</u>	<u>\$ (3,832,168)</u>	<u>\$ (12,596)</u>	<u>\$ -</u>	<u>\$ 179,267,839</u>

At June 30, 2019, the City's governmental activities had outstanding commitments through construction contracts of approximately \$5,543,000.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 13,292,491	\$ -	\$ (822,130)	\$ -	\$ 12,470,361
Construction in progress	6,241,549	7,426,147	-	(122,864)	13,544,832
	<u>19,534,040</u>	<u>7,426,147</u>	<u>(822,130)</u>	<u>(122,864)</u>	<u>26,015,193</u>
Capital assets, being depreciated:					
Land improvements	29,054,321	413,038	-	122,864	29,590,223
Equipment and vehicles	7,771,216	288,414	(68,548)	-	7,991,082
Buildings	210,801,197	1,220,493	(25,255,312)	-	186,766,378
Sewers	343,700,253	448,815	-	-	344,149,068
	<u>591,326,987</u>	<u>2,370,760</u>	<u>(25,323,860)</u>	<u>122,864</u>	<u>568,496,751</u>
Less accumulated depreciation for:					
Land improvements	(14,788,543)	(546,029)	-	-	(15,334,572)
Equipment and vehicles	(6,584,086)	(507,758)	68,548	-	(7,023,296)
Buildings	(126,054,936)	(3,921,412)	12,299,467	-	(117,676,881)
Sewers	(109,037,318)	(6,989,114)	-	-	(116,026,432)
	<u>(256,464,883)</u>	<u>(11,964,313)</u>	<u>12,368,015</u>	<u>-</u>	<u>(256,061,181)</u>
Total capital assets being depreciated, net	<u>334,862,104</u>	<u>(9,593,553)</u>	<u>(12,955,845)</u>	<u>122,864</u>	<u>312,435,570</u>
Business-type activities capital assets, net	<u>\$ 354,396,144</u>	<u>\$ (2,167,406)</u>	<u>\$ (13,777,975)</u>	<u>\$ -</u>	<u>\$ 338,450,763</u>

At June 30, 2019, the City's business-type activities had outstanding commitments through construction contracts of approximately \$5,169,000.

Depreciation expense was charged to functions/programs of the primary government as follows:

Depreciation of governmental activities by function

General government	\$ 434,908
Public safety	673,040
Public works	4,577,035
Recreation and culture	2,972,459
Community development	1,812,352
Internal service funds	<u>2,180,737</u>

Total depreciation expense - governmental activities \$ 12,650,531

Depreciation of business-type activities by function

Sewage disposal system	\$ 10,595,778
Municipal parking system	980,505
Cemetery	9,827
Golf	77,191
Recycling	<u>301,012</u>

Total depreciation expense - business-type activities \$ 11,964,313

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 9,778,564	\$ 1,890,146	\$ 1,707,790
Deposits payable	35,020	66,815	-
Accrued payroll	2,762,723	140,532	375,156
Contract retainage payable	1,138,157	-	-
Due to other governments	3,861,074	-	-
Claims incurred but not reported	750,000	-	-
Other	865,782	-	-
	<u>\$ 19,191,320</u>	<u>\$ 2,097,493</u>	<u>\$ 2,082,946</u>

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2019, was as follows:

Due to and from primary government funds

	Due from Other Funds	Due to Other Funds
General fund	\$ 500	\$ 2
Nonmajor governmental funds	-	624,145
Sewage disposal system	2,944	362,870
Municipal parking system	986,515	2,942
Total	<u>\$ 989,959</u>	<u>\$ 989,959</u>

The above balances generally resulted from a time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Advances to and from primary government funds

	Advances to Other Funds	Advances from Other Funds
Nonmajor governmental funds	\$ -	\$ 150,303
Municipal parking system	150,303	-
Total	<u>\$ 150,303</u>	<u>\$ 150,303</u>

Advances are made to the Special Assessments Fund to prevent a negative equity in pooled cash.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Due to and from component units

	Due from primary government	Due to component unit
Municipal parking system	\$ -	\$ 145
Tax increment finance authority	145	-
Total	\$ 145	\$ 145

For the year ended June 30, 2019, interfund transfers consisted of the following:

Transfers Out	Transfers In			
	General fund	Nonmajor governmental funds	Nonmajor enterprise funds	Total
General fund	\$ -	\$ 5,716,520	\$ 1,696	\$ 5,718,216
Nonmajor governmental funds	100,000	2,900,000	611,897	3,611,897
Nonmajor enterprise funds	-	32,776	-	32,776
Total	\$ 100,000	\$ 8,649,296	\$ 613,593	\$ 9,362,889

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

9. LONG-TERM DEBT

General Obligation Bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 10 to 30-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

General obligation bonds	Interest Rate	Original Amount	Amount
Governmental activities:			
2013 Energy Efficiently Refunding Bonds - Limited Tax	2.40%	\$ 5,645,000	\$ 2,475,000
2010 Recovery Zone Economic Development Bonds	3.40-7.25%	3,200,000	2,170,000
2015 Lansing Center Refunding Bonds - Limited Tax	2.00-3.00%	1,770,000	915,000
2018 Michigan Transportation Fund Bonds	3.50%	1,665,000	1,665,000
2019 General Obligation Refunding - Limited Tax	2.00-4.00%	6,938,699	6,938,699
		<u>\$ 19,218,699</u>	<u>\$ 14,163,699</u>
Business-type activities:			
2009 Building Authority Refunding Bonds - Limited Tax	6.014-6.584%	\$ 8,161,691	\$ 2,767,490
2014 Building Authority Refunding Bonds - Limited Tax	4.75%	7,245,000	7,245,000
1998 Limited Tax Sewer Bond - 5005-10	2.25%	10,539,950	634,950
1999 Limited Tax Sewer Bond - 5005-11	2.50%	10,120,000	635,000
2000 Limited Tax Sewer Bond - 5005-12	2.50%	9,447,830	1,147,830
2001 Limited Tax Sewer Bond - 5005-13	2.50%	10,573,046	1,918,046
2002 Limited Tax Sewer Bond - 5005-14	2.50%	12,381,131	3,621,131
2003 Limited Tax Sewer Bond - 5005-15	2.50%	10,145,688	3,560,688
2004 Limited Tax Sewer Bond - 5005-16	2.13%	3,842,649	1,497,649
2005 Limited Tax Sewer Bond - 5005-17	2.13%	8,003,778	3,093,778
2005 Limited Tax Sewer Bond - 5005-18	1.63%	13,389,371	5,429,371
2006 Limited Tax Sewer Bond - 5005-19	1.63%	18,216,346	8,681,346
2007 Limited Tax Sewer Bond - 5005-20	1.63%	24,244,726	12,559,726
2008 Limited Tax Sewer Bond - 5005-21	2.50%	27,494,933	16,705,453
2008 Limited Tax Sewer Bond - 5005-22	2.50%	14,455,604	10,120,604
2010 Limited Tax Sewer Bond - 5411-01	2.50%	8,548,000	6,333,000
2015 Limited Tax Sewer Bond - 5211-01	2.50%	3,372,405	2,822,405

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

General obligation bonds (concluded)	Interest Rate	Original Amount	Amount
Business-type activities (concluded):			
2015 Limited Tax Sewer Bond - 5211-02	2.50%	\$ 1,977,487	\$ 1,810,065
2016 Limited Tax Sewer Bond - 5581-01	2.50%	1,309,872	3,081,310
2014 Building Authority Refunding Bonds - Limited Tax	2.00-3.00%	6,765,000	3,465,000
2017 Building Authority Refunding - Limited Tax	3.31-4.08%	10,805,000	10,805,000
2019 General Obligation Refunding - Limited Tax	2.00-4.00%	7,681,301	7,681,301
		<u>\$ 228,720,808</u>	<u>\$ 115,616,143</u>

Advance Refundings

In September 2018, the City issued \$6,210,000 of General Obligation Limited Tax Refunding Bonds to advance refund \$6,435,000 of the 2007 Building Authority Refunding Bonds. The proceeds of the bonds were used to purchase U.S. government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments on the refunded debt. The 2007 bonds were all callable during the fiscal year ended June 30, 2019, so no defeasance of prior debt resulted from this transaction. The refunding resulted in a cash gain of \$491,430 and an economic gain of \$425,017.

In April 2019, the City issued \$14,620,000 of General Obligation Limited Tax Refunding Bonds to advance refund \$15,750,000 (of which \$7,475,000 was allocated to governmental activities and \$8,275,000 to the Sewage Disposal System enterprise fund) of the Authority's 2009 Capital Improvement Bonds. The proceeds of the bonds were used to purchase U.S. government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments on the refunded debt. The 2009 bonds were all callable during the fiscal year ended June 30, 2019, so no defeasance of prior debt resulted from this transaction. The refunding resulted in a cash gain of \$2,470,450 and an economic gain of \$2,015,106.

In-substance Defeasance. During the year ended June 30, 2019, the City sold one of its parking structures. The construction of this structure was initially financed by bonds issued by the City. The proceeds from this sale were used to defease the remaining principal of the Authority's 2012 and 2018 Building Authority Refunding Bonds in the amounts of \$4,775,000 and \$5,750,000, respectively. The proceeds of the sale were used to purchase U.S. government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the bonds are considered defeased and the liability has been removed from the statement of net position. The defeased bonds mature on May 1, 2020 through 2027. Accordingly, \$10,525,000 of defeased debt remains outstanding at year-end related to this transaction.

Prior Year Defeased Debt

As of June 30, 2019, defeased bonds related to the prior year refunding of the 2005 Building Authority Refunding Bonds were still outstanding in the amount of \$3,745,000. The defeased bonds are scheduled to be paid by the escrow agent in installments on June 1 of years 2020 through 2022.

As of June 30, 2019, defeased bonds related to the prior year refunding of the 2009 Building Authority Capital Appreciation Bonds were still outstanding in the amount of \$1,949,200. The defeased bonds are scheduled to be paid by the escrow agent in installments on June 1 of years 2021 through 2024.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Revenue Bonds. The City also issues bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. Revenue bonds outstanding at year-end are as follows:

	Interest Rate	Original Amount	Amount
Revenue bonds - business type activities			
2013 Sewer Revenue and Refunding Bond	2.40%	\$ 21,765,000	\$ 14,075,000

Pledged Revenues. The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$21,765,000 in sewer revenue and refunding bonds issued in 2013. Proceeds from the bonds provided financing for the construction for various sewer infrastructure projects. The bonds are payable solely from sewer customer net revenues and are payable through 2028. Annual principal and interest payments on the bonds are expected to require less than 14% of net revenues. The total principal and interest paid for the current year and total customer net revenues were \$2,240,688 and \$18,108,760 respectively.

Installment Purchase Agreements. The government enters into installment purchase agreements for equipment and related capital assets. Installment purchase agreements outstanding at year-end are as follows:

	Interest Rate	Original Amount	Amount
Installment purchase agreements			
Governmental activities:			
2014 Lease Purchase Agreement - Recycling Trucks	1.96%	\$ 1,550,855	\$ 520,243
2015 Ballpark Improvements Installment Purchase	3.00%	13,500,000	10,753,777
		<u>\$ 15,050,855</u>	<u>\$ 11,274,020</u>
Business-type activities:			
2014 Lease Purchase Agreement - Recycling Carts	1.96%	\$ 1,737,000	\$ 582,920

Loans payable. The government has entered into loan agreements with the certain State agencies for program purposes. Loans payable at year-end are as follows:

	Interest Rate	Original Amount	Amount
Loans payable			
Governmental activities:			
HUD Section 108 Loan	1.52%	\$ 5,900,000	\$ 5,900,000
2014 SIB Loan	3.00%	1,828,428	1,342,002
		<u>\$ 7,728,428</u>	<u>\$ 7,242,002</u>

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Changes in Long-term Debt. Long-term liability activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 15,330,000	\$ 8,603,699	\$ 9,770,000	\$ 14,163,699	\$ 2,371,468
Notes from direct borrowings and direct placements:					
Installment purchase agreements	12,289,396	-	1,015,376	11,274,020	1,043,947
Loans payable	7,476,545	-	234,543	7,242,002	241,580
	35,095,941	8,603,699	11,019,919	32,679,721	3,656,995
Deferred amounts:					
For issuance discounts	(59,321)	-	(6,833)	(52,488)	-
For issuance premiums	55,139	780,670	21,600	814,209	-
Compensated absences	9,957,856	1,287,949	1,277,057	9,968,748	1,277,057
Accrued workers compensation	2,292,221	978,209	959,448	2,310,982	548,329
	<u>\$ 47,341,836</u>	<u>\$ 11,650,527</u>	<u>\$ 13,271,191</u>	<u>\$ 45,721,172</u>	<u>\$ 5,482,381</u>
Business-type activities					
General obligation bonds	\$ 137,182,606	\$ 15,995,317	\$ 37,561,780	\$ 115,616,143	\$ 11,623,482
Revenue bonds	15,625,000	-	1,550,000	14,075,000	1,550,000
Notes from direct borrowings and direct placements:					
Installment purchase agreements	808,500	-	225,580	582,920	230,023
	153,616,106	15,995,317	39,337,360	130,274,063	13,403,505
Deferred amounts:					
For issuance discounts	(490,338)	-	(149,523)	(340,815)	-
For issuance premiums	1,879,538	1,120,439	561,396	2,438,581	-
Compensated absences	871,120	61,937	77,914	855,143	77,914
	<u>\$ 155,876,426</u>	<u>\$ 17,177,693</u>	<u>\$ 39,827,147</u>	<u>\$ 133,226,972</u>	<u>\$ 13,481,419</u>

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

For the governmental activities, compensated absences and other long-term debt are generally liquidated by the General Fund.

Debt service requirements to maturity for the general obligation and revenue bonds of the City are as follows:

Year Ending June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 2,371,468	\$ 538,524	\$ 2,909,992	\$ 13,173,482	\$ 3,510,701	\$ 16,684,183
2021	2,475,452	467,133	2,942,585	12,934,227	4,083,141	17,017,368
2022	2,232,063	389,186	2,621,249	12,444,891	3,797,527	16,242,418
2023	716,302	324,172	1,040,474	10,724,778	3,553,267	14,278,045
2024	747,659	290,503	1,038,162	10,634,125	2,961,420	13,595,545
2025-2029	4,206,365	879,681	5,086,046	41,756,193	7,627,041	49,383,234
2030-2034	1,414,390	138,202	1,552,592	15,639,667	3,965,334	19,605,001
2035-2039	-	-	-	11,183,780	1,547,701	12,731,481
2040-2041	-	-	-	1,200,000	24,450	1,224,450
	<u>\$ 14,163,699</u>	<u>\$ 3,027,401</u>	<u>\$ 17,191,100</u>	<u>\$ 129,691,143</u>	<u>\$ 31,070,582</u>	<u>\$ 160,761,725</u>

Debt service requirements to maturity for the notes from direct borrowings and direct placements of the City are as follows:

Year Ending June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 1,285,527	\$ 545,467	\$ 1,830,994	\$ 230,023	\$ 10,304	\$ 240,327
2021	1,707,075	505,109	2,212,184	234,554	5,773	240,327
2022	1,642,029	459,450	2,101,479	118,343	1,743	120,086
2023	1,581,002	413,819	1,994,821	-	-	-
2024	1,626,724	367,543	1,994,267	-	-	-
2025-2029	7,474,117	1,150,879	8,624,996	-	-	-
2030-2034	3,199,548	175,545	3,375,093	-	-	-
	<u>\$ 18,516,022</u>	<u>\$ 3,617,812</u>	<u>\$ 22,133,834</u>	<u>\$ 582,920</u>	<u>\$ 17,820</u>	<u>\$ 600,740</u>

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

10. FUND BALANCES - GOVERNMENTAL FUNDS

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies fund balances based primarily on the extent to which it is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Nonmajor Governmental Funds	Totals
Nonspendable			
Inventories	\$ 29,575	\$ 1,030,305	\$ 1,059,880
Prepays	9,030	7,556	16,586
Corpus of permanent fund	-	1,914,166	1,914,166
	<u>38,605</u>	<u>2,952,027</u>	<u>2,990,632</u>
Restricted			
Major and local streets	-	14,840,386	14,840,386
Drug law and narcotics enforcement	-	1,583,641	1,583,641
Downtown Lansing	-	47,238	47,238
Debt service	-	30,111	30,111
Building department	-	531,033	531,033
Capital improvements (unexpended bond proceeds)	-	6,368	6,368
	<u>-</u>	<u>17,038,777</u>	<u>17,038,777</u>
Committed			
City parks	-	484,669	484,669
Capital improvements	-	8,663,319	8,663,319
	<u>-</u>	<u>9,147,988</u>	<u>9,147,988</u>
Unassigned (deficit)	<u>9,992,885</u>	<u>(115,546)</u>	<u>9,877,339</u>
Total fund balances - governmental funds	<u>\$ 10,031,490</u>	<u>\$ 29,023,246</u>	<u>\$ 39,054,736</u>

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

11. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2019, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Capital assets not being depreciated	\$ 25,302,787	\$ 26,015,193	\$ -
Capital assets being depreciated, net	153,965,052	312,435,570	23,352
Total capital assets	<u>179,267,839</u>	<u>338,450,763</u>	<u>23,352</u>
Related debt:			
General obligation bonds	14,163,699	115,616,143	-
Revenue bonds	-	14,075,000	-
Installment purchase agreements	11,274,020	582,920	-
Loans payable	7,242,002	-	-
Unamortized bond discounts	(52,488)	(340,815)	-
Unamortized bond premiums	814,209	2,438,581	-
Deferred charge on bond refunding	(320,544)	(4,352,459)	-
Amounts under leases receivable	-	(23,556,870)	-
Unexpended bond proceeds	(6,368)	-	-
Total related debt	<u>33,114,530</u>	<u>104,462,500</u>	<u>-</u>
Net investment in capital assets	<u>\$ 146,153,309</u>	<u>\$ 233,988,263</u>	<u>\$ 23,352</u>

12. SEGMENT INFORMATION - ENTERPRISE FUNDS

The government issued revenue bonds to finance certain improvements to its sewage disposal system. Because the Sewage Disposal System, an individual fund that accounts entirely for the government's sewage activities, is a segment and is reported as a major fund in the fund financial statements, separate segment disclosures herein are not required.

13. RISK MANAGEMENT

The City of Lansing, Michigan is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries.

The City carries commercial insurance for claims relating to general liability, property, electronic data processing, boiler and machinery, police professional and errors and omissions. The City has not experienced settlements in excess of insurance coverage during the past three years. The City is uninsured for acts of nature and environmental clean-up costs.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

The City is self-funded for Blue Cross Blue Shield healthcare coverage for employees and retirees. The City maintains stop/loss coverage that limits its per-case exposure to \$250,000. The City estimates healthcare claims that are incurred but not reported as of year-end, which is accounted for in the City's Fringe Benefits Internal Service Fund. Changes in the estimated liability were as follows:

	Fiscal Year Ended June 30,	
	2019	2018
Estimated liability, beginning of year	\$ 900,000	\$ 885,000
Estimated claims incurred, including changes in estimates	9,849,331	9,664,043
Claim payments	<u>(9,999,331)</u>	<u>(9,649,043)</u>
Estimated liability, end of year	<u>\$ 750,000</u>	<u>\$ 900,000</u>

The City is self-insured for workers' compensation costs. The City estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported to the City. The current liability is accounted for in the General Fund, with long-term liabilities accounted for in the Statement of Net Position. The City has liability insurance coverage up to a maximum amount of \$16,000,000 per occurrence with a \$350,000 deductible. Changes in the estimated long-term liability as well as the total estimated cost of claims for the past two fiscal years were as follows:

	Fiscal Year Ended June 30,	
	2019	2018
Estimated liability, beginning of year	\$ 2,292,221	\$ 2,417,780
Estimated claims incurred, including changes in estimates	978,209	1,031,123
Claim payments	<u>(959,448)</u>	<u>(1,156,682)</u>
Estimated liability, end of year	<u>\$ 2,310,982</u>	<u>\$ 2,292,221</u>

14. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of the date they are levied. City, community college, and 50% of school taxes are levied and due July 1 and become delinquent after August 31. County taxes and the balance of school taxes are levied and due December 1 and become delinquent after February 14. In March, taxes on real property still delinquent are purchased by the County's tax revolving funds. Collections of community college, school, and county taxes and remittances are accounted for in the general fund. City property tax revenues are recognized in the fiscal year for which the taxes are levied to the extent that they result in current receivables (i.e., are collected within 60 days after fiscal year-end).

The City is permitted by charter and state law to levy taxes up to \$20.00 per \$1,000 of assessed valuation for general operations other than the payment of principal and interest on long-term debt. The tax rate to finance general governmental services other than the payment of principal and interest on long-term debt for the year ended June 30, 2019 was \$19.44 per \$1,000 of taxable value.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

15. CONTINGENT LIABILITIES

Federal Grant Programs. Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Risk Management. The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

16. PENSION PLANS

Employees' Retirement System

Plan Description. The City sponsors and administers the Employees' Retirement System (the "Plan"), a single-employer, defined benefit pension plan that covers general full-time employees of the City of Lansing, Michigan and employees of the 54-A District Court. It does not include elected officials, who are members of the Employees' Money Purchase Pension Plan, nor does it include police officers and firefighters, who are members of a separate City defined benefit pension plan. The Plan was established and may be amended by the City Council and is administered by a nine member Board of Trustees. The Board is comprised of the Mayor of the City, one member of the City Council appointed by the City Council, the City Treasurer, the City Human Resources Director, three members of the retirement system to be elected by the members of the system under rules adopted by the board, two residents of the State of Michigan appointed by the Mayor, by and with the consent of the City Council, one of which is a retiree of the retirement system. It is accounted for as a separate pension trust fund. Separate financial statements are not issued for the Plan.

All members may retire at age 50 with 25 or more years of credited service, or age 58 with 8 or more years of credited service. Members are vested after completing 8 years of credited service. Retirement options that provide for survivor benefits are available to members. The plan also provides death and disability benefits. If a member leaves employment or dies before vesting, accumulated member contributions plus interest are refunded to the member or designated beneficiary. Members who are vested and terminate their employment prior to retirement will receive their benefit as a life annuity beginning at age 58.

Summary of Significant Accounting Policies. The financial statements of the Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contribution has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Administration of the Plan is funded through the Plan's investment earnings.

Method Used to Value Investments. Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the Plan Board of Trustees, with the assistance of a valuation service.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Plan Membership. At December 31, 2018, plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	916
Terminated employees entitled to but not yet receiving benefits	133
Vested and non-vested active participants	405
	<hr/>
Total membership	1,454
	<hr/>

Benefits Provided. Employees who retire with minimum age and years of service requirements are entitled to annual retirement benefits, payable in monthly installments for life, in an amount equal to a percentage of their final average compensation times years of credited service. Final average compensation is defined as the average of the highest annual compensation paid over 2 consecutive years of credited service within the last 10 years of credited service immediately preceding a member's termination of employment. The benefit payments are calculated using the following rates for the various groups of general employees:

Bargaining Unit/Employee Group	Multiplier Percentage
United Auto Workers (UAW):	
Hired after January 9, 2017	1.50%
Hired after October 18, 2013	1.70%
All others	2.75%
Teamsters Local 214:	
Hired after September 2012	1.25%
All others	1.80%
Teamsters Local 580:	
Hired after May 19, 2014	1.25%
All others	1.80%
Non-bargaining and all others	
Hired after April 1, 2014	1.25%
All others	1.60%
District court exempt	
Hired after June 1, 2014	1.25%
All others	1.60%

Contributions. The contribution requirements of Plan members are established and may be amended by the City Council in accordance with City policies, union contracts, and Plan provisions. Employees are required to make contributions to the Plan in rates from 3.00 to 6.50% depending on bargaining unit and hire date. The City is required to contribute at actuarially determined rates expressed as a percentage of covered payroll. The City's contribution rate for the plan for the year ended June 30, 2019 was 46.8% of projected valuation payroll.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Bargaining Unit/Employee Group	Contribution Percentage
United Auto Workers (UAW)	3.00%
Teamsters Local 214:	
Hired after September 2012	5.00%
All others	6.50%
Teamsters Local 580:	
Hired after May 9, 2014	5.00%
All others	6.35%
District court Teamsters:	
Hired after April 2014	5.00%
All others	5.50%
District court exempt	5.50%
All others	6.50%

Investment Policy. The plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees. The investment policy has been formulated based on consideration of a wide range of policies and describes the prudent investment process that the Board deems appropriate. The Plan's asset allocation policy is shown on the following pages.

Rate of Return. For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.17%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Concentrations. At June 30, 2019, the Plan held certain investments (other than those issued or explicitly guaranteed by the U.S. government, mutual funds, external investment pools, or other pooled investments) in certain organizations that represent 5% or more of the Plan's fiduciary net position. Please see Footnote 4 for the details of these concentrations.

Reserves. In accordance with the Plan policy, the City establishes reserves for various purposes. The reserves are adjusted annually based on recommendations from the City's actuaries. The policy for creating and adjusting reserves was established and can be amended by the Plan Board of Trustees. A summary of the Plan reserves at June 30, 2019 is as follows:

Reserve/Group	Balance
Employee savings fund	\$ 12,745,315
Retirement reserve fund	132,084,679
Pension accumulation fund	5,628,058
Members benefit fund	15,127,517
Health insurance fund	32,946,254

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Net Pension Liability. The components of the net pension liability for the employees' retirement system at June 30, 2019 were as follows:

Total pension liability	\$ 303,730,647
Plan fiduciary net position	<u>165,585,569</u>
Net pension liability	<u>\$ 138,145,078</u>
Plan fiduciary net position as percentage of total pension liability	54.5%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	2.75%, plus service based increases
Investment rate of return	7.25%, net of investment expense and including inflation

Mortality is based on the RP-2000 tables for males and females. For Disabled members, the disabled versions of these tables are used. Each of these tables is projected to 2026 using Scale BB and a 50% factor is applied for pre-retirement deaths.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of actuarial experience analysis conducted in December 2016.

Changes in Actuarial Assumptions. There were no changes in actuarial assumptions during fiscal year 2019.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, and the final investment return assumption, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Money-Weighted Rate of Return
Domestic equity	27.00%	5.75%	1.53%
International equity - developed	12.00%	5.85%	0.70%
International equity - emerging	4.00%	6.25%	0.25%
Fixed income	25.00%	2.65%	0.66%
Real estate	10.00%	4.75%	0.48%
Global opportunistic fixed income	6.00%	4.10%	0.25%
Global equity long/short	10.00%	4.50%	0.45%
Absolute return	6.00%	4.25%	0.27%
	<u>100.00%</u>		4.59%
Inflation			2.75%
Risk adjustments			<u>-0.09%</u>
Investment rate of return			<u>7.25%</u>

Discount Rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, each plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Changes in the Net Pension Liability. The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 305,528,755	\$ 168,558,816	\$ 136,969,939
Changes for the year:			
Service cost	2,719,559	-	2,719,559
Interest	21,512,099	-	21,512,099
Differences between expected and actual experience	(2,559,726)	-	(2,559,726)
Employer contributions	-	10,880,932	(10,880,932)
Employee contributions	-	1,220,657	(1,220,657)
Net investment income	-	8,437,568	(8,437,568)
Benefit payments, including refunds of employee contributions	(23,470,040)	(23,470,040)	-
Administrative expense	-	(42,364)	42,364
Net changes	(1,798,108)	(2,973,247)	1,175,139
Balances at June 30, 2019	\$ 303,730,647	\$ 165,585,569	\$ 138,145,078

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	One Percent Decrease (6.25%)	Current Discount Rate (7.25%)	One Percent Increase (8.25%)
Net pension liability	\$ 164,697,183	\$ 138,145,078	\$ 115,359,996

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2019, the City recognized pension expense of \$13,770,789. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ 1,706,484	\$ (1,706,484)
Net difference between projected and actual earnings on pension plan investments	5,050,290	-	5,050,290
Total	\$ 5,050,290	\$ 1,706,484	\$ 3,343,806

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2020	\$ 2,365,018
2021	(838,377)
2022	1,136,209
2023	680,956
Total	\$ 3,343,806

Payable to the Pension Plan. At June 30, 2019, the City did not have any outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

Police and Fire Retirement System

Plan Description. The City sponsors and administers the Police and Fire Retirement System (the "Plan"), a single-employer, defined benefit pension plan that covers all police officers and fire fighters who are full-time employees of the City. The Plan was established and may be amended by the City Council and is administered by an eight member Board of Trustees. The Board is comprised of the Mayor of the City, one member of the City Council appointed by the City Council, the City Treasurer, a resident of the City who shall be appointed by the Mayor, by and with the consent of Council, two members each of the police and fire departments, to be elected by all the members of their respective departments. It is accounted for as a separate pension trust fund. Separate financial statements are not issued for the Plan.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Members may retire at age 55, or at any age with 25 or more years of credited service. Members are vested after completing 10 years of credited service. Members are required to retire at age 60 (Police) or 70 (Fire). When an employee who had retired subsequent to August 31, 1966, dies, the plan provides for an automatic pension to the retiree's spouse. This automatic pension is equal to 50% of the regular retirement benefit the employee had been receiving at time of death. Effective July 30, 1990, members may elect a reduced benefit, either 93% or 86% of the regular benefit, thereby increasing the spouse pension to 75% or 86% of the regular benefit, respectively. Alternately, members may elect a non-spousal beneficiary option. The plan provides death and disability benefits. If a member leaves employment or dies before vesting, accumulated member contributions plus interest are refunded to the member or designated beneficiary. Members who are vested and terminate their employment have the option of deferred retirement benefits until age 55 or withdrawing their contribution, thereby forfeiting any future benefits.

Summary of Significant Accounting Policies. The financial statements of the Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contribution has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Administration of the Plan is funded through the Plan's investment earnings.

Method Used to Value Investments. Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the Plan Board of Trustees, with the assistance of a valuation service.

Plan Membership. At December 31, 2018, plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	750
Terminated employees entitled to but not yet receiving benefits	49
Vested and non-vested active participants	<u>372</u>
Total membership	<u><u>1,171</u></u>

Benefits Provided. Annual retirement allowances are determined by multiplying final average compensation by 3.2% for the first 25 years of credited service. The maximum allowance is 80% of final average compensation. Final average compensation is the member's highest wages for 2 consecutive years.

Contributions. The contribution requirements of Plan members are established and may be amended by the City Council in accordance with City policies, union contracts, and Plan provisions. Fire members are required to contribute 10.0% of their annual wages to the plan, fire members hired after May 19, 2014 are required to contribute 7.00%. Police supervisors are required to contribute 9.52%, police non-supervisors are required to contribute 9.0%, and police non supervisors hired after August 1, 2014 are required to contribute 7.00%. Chapter 294 of the City of Lansing's Ordinance establishes benefit provisions and requires that the portion of the annuity and pension reserves (which are determined annually by the City's actuary) not financed by member contributions shall be financed by annual appropriations. The City's contribution rate for the plan for the year ended June 30, 2019 was 45.7% of projected valuation payroll.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Investment Policy. The plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees. The investment policy has been formulated based on consideration of a wide range of policies and describes the prudent investment process that the Board deems appropriate. The Plan's asset allocation policy is shown on the following pages.

Rate of Return. For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.30%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Concentrations. At June 30, 2019, the Plan held certain investments (other than those issued or explicitly guaranteed by the U.S. government, mutual funds, external investment pools, or other pooled investments) in certain organizations that represent 5% or more of the Plan's fiduciary net position. Please see Footnote 4 for the details of these concentrations.

Reserves. In accordance with the Plan policy, the City establishes reserves for various purposes. The reserves are adjusted annually based on recommendations from the City's actuaries. The policy for creating and adjusting reserves was established and can be amended by the Plan Board of Trustees. A summary of the Plan reserves at June 30, 2019 is as follows:

Reserve/Group	Balance
Retirement reserve fund	\$ 294,201,491
Health insurance fund	39,200,746

Net Pension Liability. The components of the net pension liability for the police and fire retirement system at June 30, 2019, were as follows:

Total pension liability	\$ 461,355,972
Plan fiduciary net position	<u>294,201,491</u>
Net pension liability	<u>\$ 167,154,481</u>
Plan fiduciary net position as percentage of total pension liability	63.8%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	2.75%, plus service-based increases
Investment rate of return	7.25%, net of investment expense and including inflation

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Mortality is based on the RP-2000 tables (with Blue Collar adjustments for Police and Fire) for males and females. For Disabled members, the disabled versions of these tables are used. Each of these tables is projected to 2026 using Scale BB and a 50% factor is applied for pre-retirement deaths.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of actuarial experience analysis conducted in December 2016.

Changes in Actuarial Assumptions. There were no changes in actuarial assumptions during fiscal year 2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, and the final investment return assumption, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Money-Weighted Rate of Return
Domestic equity	32.00%	5.80%	1.85%
International equity - developed	12.00%	6.10%	0.73%
International equity - emerging	4.00%	7.25%	0.29%
Fixed income	22.00%	2.25%	0.50%
Real estate	10.00%	4.80%	0.48%
Global opportunistic fixed income	5.00%	3.25%	0.16%
Global equity long/short	10.00%	5.00%	0.50%
Absolute return	5.00%	4.50%	0.24%
	<u>100.00%</u>		4.75%
Inflation			2.75%
Risk adjustments			<u>-0.25%</u>
Investment rate of return			<u>7.25%</u>

Discount Rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, each plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Changes in the Net Pension Liability. The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 444,999,992	\$ 291,879,983	\$ 153,120,009
Changes for the year:			
Service cost	6,801,669	-	6,801,669
Interest	31,573,535	-	31,573,535
Differences between expected and actual experience	10,590,030	-	10,590,030
Employer contributions	-	13,554,239	(13,554,239)
Employee contributions	-	3,485,891	(3,485,891)
Net investment income	-	17,943,950	(17,943,950)
Benefit payments, including refunds of employee contributions	(32,609,254)	(32,609,254)	-
Administrative expense	-	(53,318)	53,318
Net changes	16,355,980	2,321,508	14,034,472
Balances at June 30, 2019	\$ 461,355,972	\$ 294,201,491	\$ 167,154,481

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	One Percent Decrease (6.25%)	Current Discount Rate (7.25%)	One Percent Increase (8.25%)
Net pension liability	\$ 213,013,207	\$ 167,154,481	\$ 124,427,822

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2019, the City recognized pension expense of \$30,059,557. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 12,074,334	\$ 4,827,030	\$ 7,247,304
Changes in assumptions	7,093,170	-	7,093,170
Net difference between projected and actual earnings on pension plan investments	2,985,001	-	2,985,001
Total	\$ 22,152,505	\$ 4,827,030	\$ 17,325,475

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2020	\$ 10,277,161
2021	3,238,585
2022	3,270,565
2023	539,164
Total	\$ 17,325,475

Payable to the Pension Plan. At June 30, 2019, the City did not have any outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

For governmental activities, pension liabilities are expected to be liquidated by the general fund.

Summary Pension Information

The table below summarizes the net pension liability and related deferrals for the Employees' Retirement System and the Police and Fire Retirement System as presented in the Statement of Net Position.

	Employees' Retirement System	Police & Fire Retirement System	Total
Net pension liability	\$ 138,145,078	\$ 167,154,481	\$ 305,299,559
Deferred outflows - pension	5,050,290	22,152,505	27,202,795
Deferred inflows - pension	1,706,484	4,827,030	6,533,514

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Employees' Money Purchase Pension Plan

Newly hired employees are eligible to participate in the City's defined contribution plan. Eligible employees include those normally scheduled to work at least 1,000 hours during a plan year. To receive benefits under the plan, the participant must have met the age and service requirements outline in his or her applicable bargaining unit agreement. Distributions are calculated based on the employee's vesting percentage and the individual's allocation of investment funds. In accordance with the Plan agreement, the City contributes 4% of employees' base pay to the plan. The defined contribution plan is administered by the Board of Trustees as designed in the City of Lansing Defined Contribution Plan which stipulates that the trustees have such authority. All amendments to the plan, including funding requirements, must be approved by the City Council subject to the terms of collective bargaining agreements. City contributions for the year ended June 30, 2019 were \$172,888 for plan members. Employee contributions for the year ended June 30, 2019 were \$162,606. All amendments to the Plan, including funding requirements, must be approved by the City Council. The assets of the plan are held in trust for the exclusive benefit of participants and their beneficiaries.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Financial statements for individual pension and employee benefit plans:

	Pension and Other Postemployment Benefits Net Position						Totals
	Employees' Retirement System Pension	Employees' Retirement System OPEB	Police and Fire Retirement System	Police and Fire Retirement System OPEB	Employees' Money Purchase Pension Plan	Retiree Healthcare VEBA	
Assets							
Cash and cash equivalents	\$ 5,299,765	\$ 1,054,484	\$ 3,217,822	\$ 428,757	\$ -	\$ -	\$ 10,000,828
Equity in pooled cash and investments	(215,276)	(42,833)	4,112,795	548,008	-	-	4,402,694
Investments:							
U.S. treasuries	7,221,121	1,436,773	9,480,693	1,263,251	-	-	19,401,838
U.S. agencies	12,477,237	2,482,573	15,768,919	2,101,123	-	-	32,829,852
Collateralized mortgage obligations	156,256	31,090	655,980	87,406	-	-	930,732
Mutual funds	104,086,669	20,709,931	183,127,827	24,400,784	2,952,671	28,939,072	364,216,954
Domestic equities	31,232,828	6,214,338	64,765,263	8,629,619	-	-	110,842,048
International equities	566,753	112,766	1,125,618	149,982	-	-	1,955,119
Emerging market equities	2,986,450	594,209	6,426,688	856,321	-	829,188	11,692,856
Money market funds	1,756,470	349,482	5,531,597	737,055	-	767,002	9,141,606
Dividends and interest receivable	163,558	32,543	219,781	29,285	-	528	445,695
Total assets	<u>165,731,831</u>	<u>32,975,356</u>	<u>294,432,983</u>	<u>39,231,591</u>	<u>2,952,671</u>	<u>30,535,790</u>	<u>565,860,222</u>
Liabilities							
Accounts payable	146,262	29,102	231,492	30,845	-	-	437,701
Net position restricted for							
Pension benefits	165,585,569	-	294,201,491	-	2,952,671	-	462,739,731
Other postemployment benefits	-	32,946,254	-	39,200,746	-	30,535,790	102,682,790
Total net position	<u>\$ 165,585,569</u>	<u>\$ 32,946,254</u>	<u>\$ 294,201,491</u>	<u>\$ 39,200,746</u>	<u>\$ 2,952,671</u>	<u>\$ 30,535,790</u>	<u>\$ 565,422,521</u>

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Changes in Pension and Other Postemployment Benefits Net Position							
	Employees' Retirement System Pension	Employees' Retirement System OPEB	Police and Fire Retirement System	Police and Fire Retirement System OPEB	Employees' Money Purchase Pension Plan	Retiree Healthcare VEBA	Totals
Additions							
Investment income:							
Net appreciation in fair value of investments	\$ 8,996,245	\$ 1,172,732	\$ 18,211,768	\$ 290,543	\$ -	\$ 1,867,951	\$ 30,539,239
Interest income	16,265	-	12,440	-	29,384	-	58,089
Dividend income	190,000	-	708,000	-	-	-	898,000
Investment expenses	(764,942)	-	(988,258)	-	-	-	(1,753,200)
Net investment income	8,437,568	1,172,732	17,943,950	290,543	29,384	1,867,951	29,742,128
Contributions:							
Employer	10,880,932	11,228,485	13,554,239	13,500,687	172,888	620,000	49,957,231
Plan members	1,220,657	-	3,485,891	-	162,606	-	4,869,154
Total contributions	12,101,589	11,228,485	17,040,130	13,500,687	335,494	620,000	54,826,385
Total additions	20,539,157	12,401,217	34,984,080	13,791,230	364,878	2,487,951	84,568,513
Deductions							
Participant benefits	23,470,040	10,573,488	32,609,254	12,271,014	-	-	78,923,796
Administrative expense	42,364	464,997	53,318	627,673	-	83,942	1,272,294
Total deductions	23,512,404	11,038,485	32,662,572	12,898,687	-	83,942	80,196,090
Change in net position	(2,973,247)	1,362,732	2,321,508	892,543	364,878	2,404,009	4,372,423
Net position restricted for pension and other postemployment benefits:							
Beginning of year	168,558,816	31,583,522	291,879,983	38,308,203	2,587,793	28,131,781	561,050,098
End of year	\$ 165,585,569	\$ 32,946,254	\$ 294,201,491	\$ 39,200,746	\$ 2,952,671	\$ 30,535,790	\$ 565,422,521

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

17. OTHER POSTEMPLOYMENT BENEFITS

Primary Government

Plan Description. The City of Lansing contributes to the Employees' Retirement System, the Police and Fire Retirement System, and the Voluntary Employees Beneficiary Association amounts to pre-fund postemployment healthcare. In the Employees' Retirement System and the Police and Fire Retirement System, these other postemployment benefits (OPEB) are set up as reserves in the pension plans, and their investments are commingled with the investments of the pension plan. Portfolio makeup is reported as a percentage of total pension plan assets. Earnings are calculated based on a seven year smoothed rate of return of the retirement systems. Eligible participants include any retirees who receive pension benefits under their respective pension plans, with the exception of Teamster 580 employees hired after May 2014. OPEB plan provisions are established and may be amended by the City Council, subject to the City's various collective bargaining agreements. Separate financial statements are not prepared for the plans.

Method Used to Value Investments. Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of each plans' board of trustees, with the assistance of a valuation service.

Voluntary Employees Beneficiary Association (VEBA)

The City of Lansing Voluntary Employees Beneficiary Association (the "Plan") is a single-employer defined benefit postemployment healthcare plan established by the City to provide medical and healthcare benefits for retirees and their beneficiaries. Eligible participants include any retirees who receive pension benefits under one of the City's pension plans. The Plan is funded by a trust agreement established pursuant to Section 501(c)(9) of the Internal Revenue Code that allows for the formation of a VEBA. During the year, the City contributed \$620,000 to the Plan. It is accounted for as a separate OPEB trust fund.

Employees' Retirement System

Plan Description. The City provides postemployment health care benefits, in accordance with labor agreements, to full-time employees of the City and employees of the 54-A District Court (not including police officers and firefighters who are members of the Police and Fire Retirement System). Members eligible for pension benefits under the Employees' Retirement System are also eligible to receive health care benefits, with the exception of Teamster 580 employees hired after May, 2014. The Plan was established and may be amended by the City Council and is administered by a nine member Board of Trustees. The Board is comprised of the Mayor of the City, one member of the City Council appointed by the City Council, the City Treasurer, the City Human Resources Director, three members of the retirement system to be elected by the members of the system under rules adopted by the board, two residents of the State of Michigan appointed by the Mayor, by and with the consent of the City Council, one of which is a retiree of the retirement system. It is accounted for as a separate OPEB trust fund.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Membership of the Plan consisted of the following at January 1, 2018, the date of the most recent actuarial valuation:

Retirees and beneficiaries receiving benefits	848
Terminated plan members entitled to but not yet receiving benefits	77
Active plan members	<u>404</u>
Total	<u>1,329</u>

Benefits Provided. The City provides the full cost of health benefits to retirees, payable to health care vendors, and also reimburses retirees eligible for Medicare benefits of \$134.00 per month for each covered retiree and eligible dependent(s) eligible for retiree healthcare. The payments are charged to the fringe benefit internal service fund of the City and are recognized as expenses as payments are made.

Contributions. The contribution requirements of the Plan members and the City are established and may be amended by the City Council, in accordance with City policies, union contracts, and Plan provisions. Retirees and their beneficiaries are eligible for postemployment healthcare benefits if they qualify under the various contracts. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined through the bi-annual actuarial valuation. For the year ended June 30, 2019, the City contributed \$11,848,485 (direct benefit payments of \$11,038,485 and City contributions of \$810,000) to the Plan.

Rate of Return. For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 4.17%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the City. The components of the net OPEB liability of the City at June 30, 2019, were as follows:

Total OPEB liability	\$ 231,415,357
Plan fiduciary net position	<u>63,482,044</u>
City's net OPEB liability	<u>\$ 167,933,313</u>
Plan fiduciary net position as percentage of total OPEB liability	27.4%

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of January 1, 2018, rolled forward to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment rate of return	7.25%, net of OPEB plan investment expense, including inflation
Retirement age	Age-based table of rates that are specific to the type of eligibility condition
Healthcare cost trend rate	

Year Beginning July 1,	Pre-Medicare	Medicare
2018	6.00%	4.50%
2019	5.50%	4.50%
2020	5.00%	4.25%
2021	4.50%	4.00%
2022+	4.50%	4.00%

Mortality rates are assumed to be in accordance with the Retired Pensioners (RP) 2000 Combined Healthy tables, with Blue Collar adjustments projected Scale BB, to account for anticipated future improvements in life expectancy. Adjustments to these rates are as follows:

Pre-retirement: 50% of base rates
Post-disablement: RP2000 disabled tables with Scale BB

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study conducted in 2016.

Changes in Actuarial assumptions. There were no changes in actuarial assumptions, except the change in discount rate.

Investment Policy. The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees. The investment policy has been formulated based on consideration of a wide range of policies and describes the prudent investment process that the Board deems appropriate. The Plan's asset allocation policy as of June 30, 2019 is summarized in the table on the following page.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Money-Weighted Rate of Return
Domestic equity	27.00%	5.80%	1.56%
International equity - developed	12.00%	6.10%	0.73%
International equity - emerging	4.00%	7.25%	0.29%
Fixed income - U.S.	25.00%	2.25%	0.56%
Real assets	10.00%	4.80%	0.48%
Global opportunistic fixed income	6.00%	3.25%	0.20%
Global equity long/short	10.00%	5.00%	0.50%
Absolute return	6.00%	4.50%	0.27%
	<u>100.00%</u>		4.59%
Inflation			2.75%
Risk adjustment			<u>-0.09%</u>
Investment rate of return			<u>7.25%</u>

Discount Rate. The discount rate used to measure the total OPEB liability was 5.77% (down from 5.90% in 2018). The City's funding expectations/policy is to contribute a percentage of payroll each year to their OPEB trust, in addition to paying the annual benefits directly. The City has also assumed that benefits will begin being paid from trust assets once the funding ratio exceeds 50%. Based on this information, the City projects that benefits will be paid from the trust from 2034 through 2068. This is done on a closed group basis. Therefore, the expected trust return of 7.25% (between 2034 and 2068) is blended with the 20-year Aa bond rate of 3.13% (before 2034 and after 2068).

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Changes in the Net OPEB Liability. The components of the change in the net OPEB liability are summarized as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2018	\$ 223,906,447	\$ 59,715,303	\$ 164,191,144
Changes for the year:			
Service cost	1,477,747	-	1,477,747
Interest on total OPEB liability	12,990,219	-	12,990,219
Changes in assumptions	3,614,432	-	3,614,432
Employer contributions	-	11,848,485	(11,848,485)
Net investment income	-	3,040,683	(3,040,683)
Benefit payments	(10,573,488)	(10,573,488)	-
Administrative expense	-	(548,939)	548,939
Net changes	7,508,910	3,766,741	3,742,169
Balances at June 30, 2019	\$ 231,415,357	\$ 63,482,044	\$ 167,933,313

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability of the City, calculated using the discount rate of 5.77%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (4.77%) or 1% higher (6.77%) than the current rate:

	1% Decrease (4.77%)	Current Discount Rate (5.77%)	1% Increase (6.77%)
City's net OPEB liability	\$ 197,723,334	\$ 167,933,313	\$ 141,540,793

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate Assumption. The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate of 6.0% pre-Medicare / 4.5% Medicare, trending to an ultimate rate of 4.5% pre-Medicare / 4.0% Medicare, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.0% pre-Medicare / 3.5% Medicare, trending to an ultimate rate of 3.5% pre-Medicare / 3.0% Medicare) or 1% higher (7.0% pre-Medicare / 5.5% Medicare, trending to an ultimate rate of 5.5% pre-Medicare / 5.0% Medicare) than the current healthcare cost trend rates:

	1% Decrease (3.5% / 3.0%)	Healthcare Ultimate Cost Trend Rates (4.5% / 4.0%)	1% Increase (5.5% / 5.0%)
City's net OPEB liability	\$ 142,675,624	\$ 167,933,313	\$ 198,349,318

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2019, the City recognized OPEB expense of \$6,587,467. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ 878,960	\$ -	\$ 878,960
Changes in assumptions	1,807,216	-	1,807,216
Total	\$ 2,686,176	\$ -	\$ 2,686,176

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2020	\$ 2,008,695
2021	201,479
2022	201,480
2023	274,522
Total	\$ 2,686,176

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB plan's fiduciary net position is available in the combining statements for the pension and other postemployment benefit trust funds preceding this footnote.

Payable to the OPEB Plan. At June 30, 2019, the City reported had no amount payable to the OPEB plan.

Police and Fire Retirement System

Plan Description. The City also provides postemployment health care benefits, in accordance with labor agreements, to members who are eligible to receive pension benefits under the Police and Fire Retirement System. The Plan was established and may be amended by the City Council and is administered by an eight member Board of Trustees. The Board is comprised of the Mayor of the City, one member of the City Council appointed by the City Council, the City Treasurer, a resident of the City who shall be appointed by the Mayor, by and with the consent of Council, two members each of the police and fire departments, to be elected by all the members of their respective departments.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Membership of the Plan consisted of the following at January 1, 2018, the date of the most recent actuarial valuation:

Retirees and beneficiaries receiving benefits	652
Terminated plan members entitled to but not yet receiving benefits	20
Active plan members	<u>365</u>
Total	<u><u>1,037</u></u>

Benefits Provided. The City provides the full cost of health benefits to retirees, payable to health care vendors, and also reimburses retirees eligible for Medicare benefits of \$121.90 per month for each covered retiree and dependent(s). The payments are charged to the fringe benefit internal service fund of the City and are recognized as expenses as payments are made.

Contributions. The contribution requirements of the Plan members and the City are established and may be amended by the City Council, in accordance with City policies, union contracts, and Plan provisions. Retirees and their beneficiaries are eligible for postemployment healthcare benefits if they qualify under the various contracts. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined through the bi-annual actuarial valuation. For the year ended June 30, 2019, the City contributed \$13,500,687 (direct benefit payments of \$12,898,687 and City contributions of \$602,000) to the Plan.

Rate of Return. For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was -0.88%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the City. The components of the net OPEB liability of the City at June 30, 2019, were as follows:

Total OPEB liability	\$ 302,529,360
Plan fiduciary net position	<u>39,200,746</u>
City's net OPEB liability	<u><u>\$ 263,328,614</u></u>
Plan fiduciary net position as percentage of total OPEB liability	13.0%

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of January 1, 2018, rolled forward to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment rate of return	7.25%, net of OPEB plan investment expense, including inflation
Retirement age	Age-based table of rates that are specific to the type of eligibility condition
Healthcare cost trend rate	

Year Beginning July 1,	Pre-Medicare	Medicare
2018	6.00%	4.50%
2019	5.50%	4.50%
2020	5.00%	4.25%
2021	4.50%	4.00%
2022	4.50%	4.00%
2023+	4.50%	4.00%

Mortality rates are assumed to be in accordance with the Retired Pensioners (RP) 2000 Combined Healthy tables, with Blue Collar adjustments projected Scale BB, to account for anticipated future improvements in life expectancy. Adjustments to these rates are as follows:

Pre-retirement: 50% of base rates
Post-disablement: RP2000 disabled tables with Scale BB

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study conducted in 2016.

Changes in Actuarial assumptions. There were no changes in actuarial assumptions, except the change in discount rate.

Investment Policy. The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees. The investment policy has been formulated based on consideration of a wide range of policies and describes the prudent investment process that the Board deems appropriate. The Plan's asset allocation policy as of June 30, 2019 is summarized in the table on the following page.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Money-Weighted Rate of Return
Domestic equity	32.00%	5.80%	1.86%
International equity - developed	12.00%	6.10%	0.73%
International equity - emerging	4.00%	7.25%	0.29%
Fixed income - U.S.	22.00%	2.25%	0.50%
Real assets	10.00%	4.80%	0.48%
Global opportunistic fixed income	5.00%	3.25%	0.16%
Global equity long/short	10.00%	5.00%	0.50%
Absolute return	5.00%	4.50%	0.23%
	<u>100.00%</u>		4.75%
Inflation			2.75%
Risk adjustment			<u>-0.25%</u>
Investment rate of return			<u>7.25%</u>

Discount Rate. The discount rate used to measure the total OPEB liability was 5.19% (down from 5.67% in 2018). The City's funding expectations/policy is to contribute a percentage of payroll each year to their OPEB trust, in addition to paying the annual benefits directly. The City has assumed that benefits will be paid from trust assets once the funding ratio exceeds 50%, and until the fund is depleted. Based on this information, the City projects that benefits will be paid from the trust beginning in 2040. This is done on a closed group basis. Therefore, the expected trust return of 7.25% (after 2040) is blended with the 20-year Aa bond rate of 3.13% (before 2040).

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Changes in the Net OPEB Liability. The components of the change in the net OPEB liability are summarized as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2018	\$ 277,078,552	\$ 38,308,203	\$ 238,770,349
Changes for the year:			
Service cost	3,503,096	-	3,503,096
Interest on total OPEB liability	15,565,892	-	15,565,892
Changes in assumptions	18,652,834	-	18,652,834
Employer contributions	-	13,500,687	(13,500,687)
Net investment income	-	290,543	(290,543)
Benefit payments	(12,271,014)	(12,271,014)	-
Administrative expense	-	(627,673)	627,673
Net changes	25,450,808	892,543	24,558,265
Balances at June 30, 2019	\$ 302,529,360	\$ 39,200,746	\$ 263,328,614

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability of the City, calculated using the discount rate of 5.19%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (4.19%) or 1% higher (6.19%) than the current rate:

	1% Decrease (4.19%)	Current Discount Rate (5.19%)	1% Increase (6.19%)
City's net OPEB liability	\$ 306,218,707	\$ 263,328,614	\$ 225,764,105

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate Assumption. The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate of 6.0% pre-Medicare / 4.5% Medicare, trending to an ultimate rate of 4.5% pre-Medicare / 4.0% Medicare, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.0% pre-Medicare / 3.5% Medicare, trending to an ultimate rate of 3.5% pre-Medicare / 3.0% Medicare) or 1% higher (7.0% pre-Medicare / 5.5% Medicare, trending to an ultimate rate of 5.5% pre-Medicare / 5.0% Medicare) than the current healthcare cost trend rates:

	1% Decrease (3.5% / 3.0%)	Healthcare Ultimate Cost Trend Rates (4.5% / 4.0%)	1% Increase (5.5% / 5.0%)
City's net OPEB liability	\$ 229,039,473	\$ 263,328,614	\$ 305,217,615

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2019, the City recognized OPEB expense of \$15,546,035. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ 8,905,701	\$ (8,905,701)
Changes in assumptions	13,989,625	3,722,676	10,266,949
Net difference between projected and actual earnings on OPEB plan investments	1,330,459	-	1,330,459
Total	\$ 15,320,084	\$ 12,628,377	\$ 2,691,707

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2020	\$ (1,373,281)
2021	(1,373,280)
2022	4,940,906
2023	497,362
Total	\$ 2,691,707

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB plan's fiduciary net position is available in the combining statements for the pension and other postemployment benefit trust funds preceding this footnote.

Payable to the OPEB Plan. At June 30, 2019, the City reported had no amount payable to the OPEB plan.

For governmental activities, other postemployment benefit liabilities are expected to be liquidated by the general fund.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Summary OPEB Information

The table below summarizes the net OPEB liability and related deferrals for the Employees' Retirement System and the Police and Fire Retirement System as presented in the Statement of Net Position.

	Employees' Retirement System	Police & Fire Retirement System	Total
Net OPEB liability	\$ 167,933,313	\$ 263,328,614	\$ 431,261,927
Deferred outflows - OPEB	2,686,176	15,320,084	18,006,260
Deferred inflows - OPEB	-	12,628,377	12,628,377

18. TAX ABATEMENTS

Because Lansing is an older city, vacant land, or "green space" for new buildings is scarce, the City offers tax abatements to make redevelopment and rehabilitation of existing buildings economically viable for developers, who must consider the cost of rehabilitating existing, often older, buildings which may involve environmental remediation, against the generally lesser cost of building on vacant land outside the City. These tax abatements are designed to level the "playing field" for urban communities to encourage redevelopment of vacant buildings, and to attract and retain private investment and jobs within the City. The City of Lansing provides tax abatements under several different programs:

- Industrial property tax abatements are granted in the State of Michigan under Public Act 198 to promote economic development, creation of jobs, and new or improved facilities. The Industrial Facilities Tax (IFT) Exemption must be approved by both the City (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project and must be accompanied by a written agreement between the taxpayer and the local unit. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for up to 12 years. A certificate may be revoked and taxes recaptured for noncompliance with the terms of the agreement. Property taxes abated by the City under this program for fiscal year 2019 amounted to \$450,495.
- The State of Michigan allows for Commercial Rehabilitation Exemption under Public Act 210 if making substantial improvements to a business or multi-family residential facility. The City had no Commercial Rehabilitation Exemptions for fiscal year 2019.
- To incentivize new or expanded businesses, Public Act 328 allows for Personal Property Tax Exemptions for qualified businesses located within eligible distressed communities. The exemption must be approved by the City Commission and the State Treasurer. Once approved, the taxpayer is exempt from personal property tax on new investments after the date of the exemption. The City can recapture the taxes if the business defaults on the terms of the written agreement. Property taxes abated by the City under this program for fiscal year 2019 amounted to \$4,623,383.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

- The Brownfield Redevelopment Authority encourages environmental cleanup and economic development through its Brownfield Redevelopment Plan under Public Act 318. A developer performs redevelopment and cleanup activities at a site that is obsolete or blighted. The increased tax revenues resulting from the increase in taxable value are captured by the City and used to repay the developer for qualifying expenses. There is no provision for recovery of abated taxes because the developer is only paid for eligible expenses on a reimbursement-basis. Property taxes abated by the Authority under this program for fiscal year 2019, through direct reimbursement to developers from current tax captures, amounted to \$529,215. In addition, there are reserve liabilities reported in the financial statements that represent tax captures set aside for future developer reimbursements. Property taxes abated by the Authority under this program for fiscal year 2019 amounted to \$150,221.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LANSING, MICHIGAN

Required Supplementary Information

Pension Plan

Employees' Retirement System

Schedules of Changes in Net Pension Liability and Related Ratios

	Fiscal Year Ending June 30,					
	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 2,719,559	\$ 2,538,487	\$ 2,711,461	\$ 2,977,084	\$ 2,857,948	\$ 2,982,624
Interest on total pension liability	21,512,099	21,994,837	22,403,009	22,268,516	22,671,909	22,722,630
Difference between expected and actual experience	(2,559,726)	(6,451,827)	(23,183,264)	(4,937,823)	(6,422,330)	-
Assumption changes	-	3,099,448	3,706,512	7,575,775	-	-
Benefit payments, including refunds	(23,470,040)	(23,102,224)	(22,913,214)	(22,860,449)	(22,462,587)	(22,790,522)
Net change in total pension liability	(1,798,108)	(1,921,279)	(17,275,496)	5,023,103	(3,355,060)	2,914,732
Total pension liability, beginning of year	305,528,755	307,450,034	324,725,530	319,702,427	323,057,487	320,142,755
Total pension liability, end of year	303,730,647	305,528,755	307,450,034	324,725,530	319,702,427	323,057,487
Plan fiduciary net position						
Employer contributions	10,880,932	10,843,000	10,246,872	10,181,620	10,547,556	9,361,009
Employee contributions	1,220,657	1,230,857	1,216,519	1,088,943	1,128,120	1,290,678
Pension plan net investment income (loss)	8,437,568	9,679,565	17,412,568	(2,790,190)	4,399,543	17,887,635
Benefit payments (including refunds)	(23,470,040)	(23,102,224)	(22,913,214)	(22,860,449)	(22,462,587)	(22,957,379)
Pension plan administrative expense	(42,364)	(57,822)	(47,217)	(126,486)	(174,818)	(741,037)
Net change in plan fiduciary net position	(2,973,247)	(1,406,624)	5,915,528	(14,506,562)	(6,562,186)	4,840,906
Plan fiduciary net position, beginning of year	168,558,816	169,965,440	164,049,912	178,556,474	185,118,660	180,277,754
Plan fiduciary net position, end of year	165,585,569	168,558,816	169,965,440	164,049,912	178,556,474	185,118,660
Net pension liability	\$138,145,078	\$136,969,939	\$137,484,594	\$ 160,675,618	\$ 141,145,953	\$ 137,938,827
Plan fiduciary net position as a percentage of total pension liability	54.5%	55.2%	55.3%	50.5%	55.9%	57.3%
Covered payroll	\$ 23,265,437	\$ 22,672,891	\$ 20,901,389	\$ 23,085,894	\$ 19,769,460	\$ 20,874,143
Net pension liability as a percentage of covered payroll	593.8%	604.1%	657.8%	696.0%	714.0%	660.8%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Assumption changes: There were changes in actuarial assumptions during fiscal year 2018, a decrease in the assumed rates of inflation and investment return. These changes, along with updated projections of fund solvency, also resulted in changes to the discount rates.

There were changes in actuarial assumptions during fiscal year 2017 based on the experience study completed in December 2016. There was a change in the discount rate due to a higher bond rate.

There were no changes in actuarial assumptions during fiscal year 2016, except for the change in discount rate due to a lower bond rate.

CITY OF LANSING, MICHIGAN

Required Supplementary Information

Pension Plan
Employees' Retirement System

Schedule of the Net Pension Liability

Fiscal Year Ending June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as Percentage of Covered Payroll
2014	\$ 323,057,487	\$ 185,118,660	\$ 137,938,827	57.3%	\$ 20,874,143	660.8%
2015	319,702,427	178,556,474	141,145,953	55.9%	19,769,460	714.0%
2016	324,725,530	164,049,912	160,675,618	50.5%	23,085,894	696.0%
2017	307,450,034	169,965,440	137,484,594	55.3%	20,901,389	657.8%
2018	305,528,755	168,558,816	136,969,939	55.2%	22,672,891	604.1%
2019	303,730,647	165,585,569	138,145,078	54.5%	23,265,437	593.8%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF LANSING, MICHIGAN

Required Supplementary Information

Pension Plan
Employees' Retirement System

Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution*	Actual Contribution	Contribution Deficiency (Excess)*	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
2010	\$ 6,472,349	\$ 6,043,861	\$ 428,488	\$ 27,766,628	21.8%
2011	7,297,083	7,297,083	-	26,068,735	28.0%
2012	7,596,879	7,523,534	73,345	22,838,598	32.9%
2013	8,586,536	8,586,536	-	20,874,143	41.1%
2014	9,361,009	9,361,009	-	21,521,242	43.5%
2015	10,547,556	10,547,556	-	19,769,460	53.4%
2016	10,181,620	10,181,620	-	23,085,894	44.1%
2017	10,246,872	10,246,872	-	20,901,389	49.0%
2018	10,185,060	10,843,000	(657,940)	22,672,891	47.8%
2019	10,880,932	10,880,932	-	23,265,437	46.8%

* The City's FY 2010 contribution was reduced by the dollar amount of the FY 2009 overpayment. The FY 2012 City contribution was reduced by \$73,345 in recognition of additional contributions by United Auto Workers (UAW) employees, which were negotiated and contributed after the establishment of the June 30, 2012 ADC from the December 31, 2010 valuation.

The actuarially determined contribution was based on projected covered payroll. Employer contributions were made in full based on actual covered payroll. Accordingly, the actuarially determined contribution has been expressed above as a percentage of actual payroll.

Notes to Schedule of Contributions

Valuation Date December 31, 2018

Notes Actuarially determined contribution rates are calculated as of the December 31 that is 6 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	23 years
Asset valuation method	Closed; 5-year smooth market
Inflation	2.75%
Salary increases	Increases in salary are assumed to increase with inflation annually, plus an additional amount that varies based on the service of the member as shown below:

Years of Service	UAW	All Others
0-8	2.35%	1.85%
9-10	2.35%	0.60%
11+	1.35%	0.60%

Investment rate of return	7.25%, net of investment expense and including inflation
Retirement age	Age-based table of rates that are specific to the type of eligibility condition.
Mortality	Mortality is based on the RP-2000 tables for males and females. For Disabled members, the disabled versions of these tables are used. Each of these tables is projected to 2026 using Scale BB and a 50% factor is applied for pre-retirement deaths.

CITY OF LANSING, MICHIGAN

Required Supplementary Information

Pension Plan

Employees' Retirement System

Schedule of Investment Returns

Fiscal Year Ending June 30,	Annual Return ⁽¹⁾
2014	13.67%
2015	2.43%
2016	-1.60%
2017	10.91%
2018	5.87%
2019	5.17%

⁽¹⁾ Annual money-weighted rate of return, net of investment expenses

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF LANSING, MICHIGAN

Required Supplementary Information

Pension Plan

Police and Fire Retirement System

Schedules of Changes in Net Pension Liability and Related Ratios

	Fiscal Year Ending June 30,					
	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 6,801,669	\$ 6,533,877	\$ 6,133,683	\$ 6,371,845	\$ 6,350,378	\$ 6,614,784
Interest on total pension liability	31,573,535	30,641,722	30,519,676	30,197,513	29,159,382	27,896,927
Benefit changes	-	779	-	-	-	-
Difference between expected and actual experience	10,590,030	8,263,623	(19,308,117)	7,884,167	3,159,996	-
Assumption changes	-	1,647,044	25,078,592	3,281,341	-	-
Benefit payments, including refunds	(32,609,254)	(31,757,151)	(31,102,186)	(29,503,964)	(27,969,021)	(26,270,724)
Net change in total pension liability	16,355,980	15,329,894	11,321,648	18,230,902	10,700,735	8,240,987
Total pension liability, beginning of year	444,999,992	429,670,098	418,348,450	400,117,548	389,416,813	381,175,826
Total pension liability, end of year	461,355,972	444,999,992	429,670,098	418,348,450	400,117,548	389,416,813
Plan fiduciary net position						
Employer contributions	13,554,239	12,686,000	11,521,768	10,884,312	11,050,091	11,248,857
Employee contributions	3,485,891	2,650,019	2,840,914	2,608,214	2,950,832	2,911,896
Pension plan net investment income (loss)	17,943,950	19,937,149	32,116,305	(6,040,910)	8,965,080	34,016,621
Benefit payments (including refunds)	(32,609,254)	(31,757,151)	(31,102,186)	(29,503,964)	(27,969,021)	(26,852,038)
Pension plan administrative expense	(53,318)	(77,237)	(50,996)	(128,903)	(173,849)	(1,141,506)
Net change in plan fiduciary net position	2,321,508	3,438,780	15,325,805	(22,181,251)	(5,176,867)	20,183,830
Plan fiduciary net position, beginning of year	291,879,983	288,441,203	273,115,398	295,296,649	300,473,516	280,289,686
Plan fiduciary net position, end of year	294,201,491	291,879,983	288,441,203	273,115,398	295,296,649	300,473,516
Net pension liability	\$167,154,481	\$153,120,009	\$141,228,895	\$145,233,052	\$104,820,899	\$ 88,943,297
Plan fiduciary net position as a percentage of total pension liability	63.8%	65.6%	67.1%	65.3%	73.8%	77.2%
Covered payroll	\$ 29,638,532	\$ 28,435,952	\$ 27,585,521	\$ 27,078,405	\$ 24,407,740	\$ 25,611,974
Net pension liability as a percentage of covered payroll	564.0%	538.5%	512.0%	536.3%	429.5%	347.3%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Assumption changes: There were changes in actuarial assumptions during fiscal year 2018, a decrease in the assumed rates of inflation and investment return. These changes, along with updated projections of fund solvency, also resulted in changes to the discount rates.

There were changes in actuarial assumptions during fiscal year 2017 based on the experience study completed in December 2016. There was a change in the discount rate due to a higher bond rate.

There were no changes in actuarial assumptions during fiscal year 2016, except for the change in discount rate due to a lower bond rate.

CITY OF LANSING, MICHIGAN

Required Supplementary Information

Pension Plan

Police and Fire Retirement System

Schedule of the Net Pension Liability

Fiscal Year Ending June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as Percentage of Covered Payroll
2014	\$ 389,416,813	\$ 300,473,516	\$ 88,943,297	77.2%	\$ 25,611,974	347.3%
2015	400,117,548	295,296,649	104,820,899	73.8%	24,407,740	429.5%
2016	418,348,450	273,115,398	145,233,052	65.3%	27,078,405	536.3%
2017	429,670,098	288,441,203	141,228,895	67.1%	27,585,521	512.0%
2018	444,999,992	291,879,983	153,120,009	65.6%	28,435,952	538.5%
2019	461,355,972	294,201,491	167,154,481	63.8%	29,638,532	564.0%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF LANSING, MICHIGAN

Required Supplementary Information

Pension Plan

Police and Fire Retirement System

Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution*	Actual Contribution	Contribution Deficiency (Excess)*	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
2010	\$ 7,179,360	\$ 6,790,757	\$ 388,603	\$ 28,536,056	23.8%
2011	8,240,688	8,240,688	-	25,128,835	32.8%
2012	9,242,173	9,057,080	185,093	26,121,411	34.7%
2013	10,133,599	10,133,599	-	25,636,626	39.5%
2014	11,248,857	11,248,857	-	25,611,974	43.9%
2015	11,050,091	11,050,091	-	24,407,740	45.3%
2016	10,884,312	10,884,312	-	27,078,405	40.2%
2017	11,521,768	11,521,768	-	27,585,521	41.8%
2018	12,562,547	12,686,000	(123,453)	28,435,952	44.6%
2019	13,554,239	13,554,239	-	29,638,532	45.7%

* The City's FY 2010 contribution was reduced by the dollar amount of the FY 2009 overpayment. The FY 2012 City contribution was reduced by \$185,093 in recognition of additional contributions by International Association of Firefighters (IAFF) employees, which were negotiated and contributed after the establishment of the June 30, 2012 ADC from the December 31, 2010 valuation.

The actuarially determined contribution was based on projected covered payroll. Employer contributions were made in full based on actual covered payroll. Accordingly, the actuarially-determined contribution has been expressed above as a percentage of actual payroll.

Notes to Schedule of Contributions

Valuation Date December 31, 2018

Notes Actuarially determined contribution rates are calculated as of the December 31 that is 6 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	23 years
Asset valuation method	Closed; 5-year smooth market
Inflation	2.75%
Salary increases	Increases in salary are assumed to be equal to inflation, plus 7.25% for those with less than 5 years of service or 1.00% for all others
Investment rate of return	7.25%, net of investment expense and including inflation
Retirement age	Age-based table of rates that are specific to the type of eligibility condition.
Mortality	Mortality is based on the RP-2000 tables (with Blue Collar adjustments for Police and Fire) for males and females. For Disabled members, the disabled versions of these tables are used. Each of these tables is projected to 2026 using Scale BB and a 50% factor is applied for pre-retirement deaths.

CITY OF LANSING, MICHIGAN

Required Supplementary Information

Pension Plan

Police and Fire Retirement System

Schedule of Investment Returns

Fiscal Year Ending June 30,	Annual Return ⁽¹⁾
2014	17.28%
2015	3.04%
2016	-2.09%
2017	12.06%
2018	7.10%
2019	6.30%

⁽¹⁾ Annual money-weighted rate of return, net of investment expenses

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF LANSING, MICHIGAN

Required Supplementary Information

Other Postemployment Benefits Plan Employees' Retirement System

Schedule of Changes in Net OPEB Liability and Related Ratios

	Fiscal Year Ending June 30,		
	2019	2018	2017
Total OPEB liability			
Service cost	\$ 1,477,747	\$ 1,438,197	\$ 1,550,428
Interest on total OPEB liability	12,990,219	13,221,134	12,976,683
Difference between expected and actual experience	-	(9,321,837)	-
Changes in assumptions	3,614,432	(2,727,829)	-
Benefit payments	(10,573,488)	(10,286,249)	(10,116,593)
Net change in total OPEB liability	<u>7,508,910</u>	<u>(7,676,584)</u>	<u>4,410,518</u>
 Total OPEB liability, beginning of year	 <u>223,906,447</u>	 <u>231,583,031</u>	 <u>227,172,513</u>
 Total OPEB liability, end of year	 <u>231,415,357</u>	 <u>223,906,447</u>	 <u>231,583,031</u>
 Plan fiduciary net position			
Employer contributions	11,848,485	11,436,222	11,305,756
OPEB plan net investment income	3,040,683	4,329,577	5,209,669
Benefit payments	(10,573,488)	(10,286,249)	(10,116,593)
Administrative expense	(548,939)	(444,973)	(389,163)
Net change in plan fiduciary net position	<u>3,766,741</u>	<u>5,034,577</u>	<u>6,009,669</u>
 Plan fiduciary net position, beginning of year	 <u>59,715,303</u>	 <u>54,680,726</u>	 <u>48,671,057</u>
 Plan fiduciary net position, end of year	 <u>63,482,044</u>	 <u>59,715,303</u>	 <u>54,680,726</u>
 Net OPEB liability	 <u><u>\$ 167,933,313</u></u>	 <u><u>\$ 164,191,144</u></u>	 <u><u>\$ 176,902,305</u></u>
 Plan fiduciary net position as a percentage of total OPEB liability	 27.4%	 26.7%	 23.6%
 Covered payroll	 \$ 23,720,424	 \$ 21,251,418	 \$ 20,901,389
 Net OPEB liability as a percentage of covered payroll	 708.0%	 772.6%	 846.4%

Note: GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Assumption changes: There were no changes in actuarial assumptions during fiscal year 2019 and 2018, except the change in discount rate.

CITY OF LANSING, MICHIGAN

Required Supplementary Information

Other Postemployment Benefits Plan
Employees' Retirement System

Schedule of the Net OPEB Liability

Fiscal Year Ending June 30,	Total OPEB Liability	Plan Net Position	Net OPEB Liability	Plan Net Position as Percentage of Total OPEB Liability	Covered Payroll	Net OPEB Liability as Percentage of Covered Payroll
2017	\$ 231,583,031	\$ 54,680,726	\$ 176,902,305	23.6%	\$ 20,901,389	846.4%
2018	223,906,447	59,715,303	164,191,144	26.7%	21,251,418	772.6%
2019	231,415,357	63,482,044	167,933,313	27.4%	23,720,424	708.0%

Note: GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF LANSING, MICHIGAN

Required Supplementary Information

Other Postemployment Benefits Plan
Employees' Retirement System

Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
2010	\$ 10,608,281	\$ 9,782,538	\$ 825,743	\$ 27,766,628	35.2%
2011	8,819,018	9,773,601	(954,583)	26,068,735	37.5%
2012	14,915,958	10,363,847	4,552,111	22,838,598	45.4%
2013	12,775,667	10,147,780	2,627,887	20,874,143	48.6%
2014	14,057,619	11,048,992	3,008,627	21,521,242	51.3%
2015	13,270,701	9,212,322	4,058,379	19,769,460	46.6%
2016	11,447,334	8,814,471	2,632,863	23,085,894	38.2%
2017	10,582,235	11,305,756	(723,521)	20,901,389	54.1%
2018	10,910,284	11,436,222	(525,938)	21,251,418	53.8%
2019	10,198,194	11,848,485	(1,650,291)	23,720,424	50.0%

Notes to Schedule of Contributions

Valuation Date January 1, 2018

Notes Actuarially determined contribution rates are calculated as of the January 1 that is 18 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of pay
Remaining amortization period	24 years
Asset valuation method	Market value
Inflation	2.75%
Investment rate of return	7.25%
Retirement age	Age-based table of rates that are specific to the type of eligibility condition.
Mortality	Mortality rates are assumed to be in accordance with the Retired Pensioners (RP) 2000 Combined Healthy tables, with Blue Collar adjustments projected Scale BB, to account for anticipated future improvements in life expectancy. Adjustments to these rates are as follows: <i>Pre-retirement</i> : 50% of base rates; <i>Post-disablement</i> : RP2000 disabled tables with Scale BB

Health care trend rates

Year Beginning July 1,	Pre-Medicare	Medicare
2018	6.00%	4.50%
2019	5.50%	4.50%
2020	5.00%	4.25%
2021	4.50%	4.00%
2022+	4.50%	4.00%

CITY OF LANSING, MICHIGAN

Required Supplementary Information

Other Postemployment Benefits Plan
Employees' Retirement System

Schedule of Investment Returns

Fiscal Year Ending June 30,	Annual Return ⁽¹⁾
2017	9.90%
2018	7.10%
2019	4.17%

⁽¹⁾ Annual money-weighted rate of return, net of investment expenses

Note: GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF LANSING, MICHIGAN

Required Supplementary Information

Other Postemployment Benefits Plan
Police and Fire Retirement System

Schedule of Changes in Net OPEB Liability and Related Ratios

	Fiscal Year Ending June 30,		
	2019	2018	2017
Total OPEB liability			
Service cost	\$ 3,503,096	\$ 3,409,339	\$ 3,749,359
Interest on total OPEB liability	15,565,892	15,994,328	15,584,783
Difference between expected and actual experience	-	(17,811,401)	-
Changes in assumptions	18,652,834	(7,445,354)	-
Benefit payments	(12,271,014)	(11,960,557)	(11,065,440)
Net change in total OPEB liability	<u>25,450,808</u>	<u>(17,813,645)</u>	<u>8,268,702</u>
 Total OPEB liability, beginning of year	 <u>277,078,552</u>	 <u>294,892,197</u>	 <u>286,623,495</u>
 Total OPEB liability, end of year	 <u>302,529,360</u>	 <u>277,078,552</u>	 <u>294,892,197</u>
 Plan fiduciary net position			
Employer contributions	13,500,687	13,163,201	12,290,749
OPEB plan net investment income	290,543	3,572,965	3,487,200
Benefit payments	(12,271,014)	(11,960,557)	(11,065,440)
Administrative expense	(627,673)	(600,644)	(525,309)
Net change in plan fiduciary net position	<u>892,543</u>	<u>4,174,965</u>	<u>4,187,200</u>
 Plan fiduciary net position, beginning of year	 <u>38,308,203</u>	 <u>34,133,238</u>	 <u>29,946,038</u>
 Plan fiduciary net position, end of year	 <u>39,200,746</u>	 <u>38,308,203</u>	 <u>34,133,238</u>
 Net OPEB liability	 <u>\$ 263,328,614</u>	 <u>\$ 238,770,349</u>	 <u>\$ 260,758,959</u>
 Plan fiduciary net position as a percentage of total OPEB liability	 13.0%	 13.8%	 11.6%
 Covered payroll	 \$ 28,435,953	 \$ 20,667,007	 \$ 27,585,521
 Net OPEB liability as a percentage of covered payroll	 926.0%	 1155.3%	 945.3%

Note: GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Assumption changes: There were no changes in actuarial assumptions during fiscal year 2019 and 2018, except the change in discount rate.

CITY OF LANSING, MICHIGAN

Required Supplementary Information

Other Postemployment Benefits Plan
Police and Fire Retirement System

Schedule of the Net OPEB Liability

Fiscal Year Ending June 30,	Total OPEB Liability	Plan Net Position	Net OPEB Liability	Plan Net Position as Percentage of Total OPEB Liability	Covered Payroll	Net OPEB Liability as Percentage of Covered Payroll
2017	\$ 294,892,197	\$ 34,133,238	\$ 260,758,959	11.6%	\$ 27,585,521	945.3%
2018	277,078,552	38,308,203	238,770,349	13.8%	20,667,007	1155.3%
2019	302,529,360	39,200,746	263,328,614	13.0%	28,435,953	926.0%

Note: GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF LANSING, MICHIGAN

Required Supplementary Information

Other Postemployment Benefits Plan
Police and Fire Retirement System

Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
2010	\$ 16,563,477	\$ 9,585,692	\$ 6,977,785	\$ 28,536,056	33.6%
2011	16,474,153	9,844,226	6,629,927	25,128,835	39.2%
2012	17,844,155	9,888,796	7,955,359	26,121,411	37.9%
2013	17,489,692	11,170,202	6,319,490	25,636,626	43.6%
2014	16,945,536	11,198,663	5,746,873	26,405,725	42.4%
2015	17,923,366	11,561,406	6,361,960	24,407,740	47.4%
2016	17,276,901	12,879,016	4,397,885	27,078,405	47.6%
2017	19,759,521	12,290,749	7,468,772	27,585,521	44.6%
2018	15,968,029	13,163,201	2,804,828	28,435,953	46.3%
2019	15,218,062	13,500,687	1,717,375	28,435,953	47.5%

Notes to Schedule of Contributions

Valuation Date January 1, 2018

Notes Actuarially determined contribution rates are calculated as of the January 1 that is 18 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of pay
Remaining amortization period	24 years
Asset valuation method	Market value
Inflation	2.75%
Investment rate of return	7.25%
Retirement age	Age-based table of rates that are specific to the type of eligibility condition.
Mortality	Mortality rates are assumed to be in accordance with the Retired Pensioners (RP) 2000 Combined Healthy tables, with Blue Collar adjustments projected Scale BB, to account for anticipated future improvements in life expectancy. Adjustments to these rates are as follows: <i>Pre-retirement</i> : 50% of base rates; <i>Post-disablement</i> : RP2000 disabled tables with Scale BB

Health care trend rates

Year Beginning July 1,	Pre-Medicare	Medicare
2018	6.00%	4.50%
2019	5.50%	4.50%
2020	5.00%	4.25%
2021	4.50%	4.00%
2022	4.50%	4.00%
2023+	4.50%	4.00%

CITY OF LANSING, MICHIGAN

Required Supplementary Information

Other Postemployment Benefits Plan
Police and Fire Retirement System

Schedule of Investment Returns

Fiscal Year Ending June 30,	Annual Return ⁽¹⁾
2017	9.89%
2018	8.71%
2019	-0.88%

⁽¹⁾ Annual money-weighted rate of return, net of investment expenses

Note: GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

CITY OF LANSING, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2019

	Special Revenue	Debt Service	Capital Projects	Permanent	Totals
Assets					
Cash and cash equivalents	\$ 82,029	\$ -	\$ 89,710	\$ -	\$ 171,739
Equity in pooled cash and investments	16,347,557	30,111	8,664,141	1,914,166	26,955,975
Accounts receivable, net	4,859	-	116,032	-	120,891
Special assessments receivable	-	-	191,201	-	191,201
Loans receivable	1,222,523	-	-	-	1,222,523
Accrued interest receivable	2,172,446	-	-	-	2,172,446
Due from other governments, net	7,691,569	-	-	-	7,691,569
Inventories	1,030,305	-	-	-	1,030,305
Prepays	7,556	-	-	-	7,556
Total assets	\$ 28,558,844	\$ 30,111	\$ 9,061,084	\$ 1,914,166	\$ 39,564,205
Liabilities					
Negative equity in pooled cash	\$ 2,889,204	\$ -	\$ -	\$ -	\$ 2,889,204
Accounts payable	1,863,563	-	200,196	-	2,063,759
Deposits payable	35,020	-	-	-	35,020
Accrued payroll	67,198	-	-	-	67,198
Indemnity bonds	43,867	-	-	-	43,867
Due to other funds	624,145	-	-	-	624,145
Advances from other funds	-	-	150,303	-	150,303
Due to other governments	587,250	-	-	-	587,250
Unearned revenue	528,800	-	-	-	528,800
Total liabilities	6,639,047	-	350,499	-	6,989,546
Deferred inflows of resources					
Unavailable revenues - loans and accrued interest receivable	3,394,969	-	-	-	3,394,969
Unavailable revenues - special assessments	-	-	156,444	-	156,444
Total deferred inflows of resources	3,394,969	-	156,444	-	3,551,413
Fund balances					
Nonspendable	1,037,861	-	-	1,914,166	2,952,027
Restricted	17,002,298	30,111	6,368	-	17,038,777
Committed	484,669	-	8,663,319	-	9,147,988
Unassigned (deficit)	-	-	(115,546)	-	(115,546)
Total fund balances	18,524,828	30,111	8,554,141	1,914,166	29,023,246
Total liabilities, deferred inflows of resources and fund balances	\$ 28,558,844	\$ 30,111	\$ 9,061,084	\$ 1,914,166	\$ 39,564,205

CITY OF LANSING, MICHIGAN

Combining Statement of Revenues, Expenditures and Change in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2019

	Special Revenue	Debt Service	Capital Projects	Permanent	Totals
Revenues					
Property taxes and special assessments	\$ 552,508	\$ 545,744	\$ 39,715	\$ -	\$ 1,137,967
Intergovernmental	27,183,157	-	-	-	27,183,157
Charges for services	3,541,837	-	2,669,488	-	6,211,325
Fines and forfeitures	256,273	-	-	-	256,273
Interest and rents	318,202	-	43,380	43,886	405,468
Contributions	12,500	-	-	-	12,500
Other revenues	736,495	-	-	-	736,495
Total revenues	32,600,972	545,744	2,752,583	43,886	35,943,185
Expenditures					
Current expenditures:					
General government	3,313,802	-	-	-	3,313,802
Public safety	1,883,913	-	-	-	1,883,913
Public works	17,339	-	-	-	17,339
Highways and streets	11,984,896	-	-	-	11,984,896
Community development	10,260,226	-	-	-	10,260,226
Debt service:					
Principal	824,543	500,000	-	-	1,324,543
Interest	534,179	17,383	-	-	551,562
Capital outlay	3,279,045	-	1,519,025	-	4,798,070
Total expenditures	32,097,943	517,383	1,519,025	-	34,134,351
Revenues over expenditures	503,029	28,361	1,233,558	43,886	1,808,834
Other financing sources (uses)					
Transfers in	5,184,520	750	3,431,250	32,776	8,649,296
Transfers out	(2,900,000)	-	(711,897)	-	(3,611,897)
Issuance of long-term debt	1,665,000	-	-	-	1,665,000
Issuance of long-term refunding debt	6,938,699	-	-	-	6,938,699
Bond premium	780,670	-	-	-	780,670
Payment to refunding bond escrow agent	(7,741,363)	-	-	-	(7,741,363)
Total other financing sources (uses)	3,927,526	750	2,719,353	32,776	6,680,405
Net change in fund balances	4,430,555	29,111	3,952,911	76,662	8,489,239
Fund balances, beginning of year	14,094,273	1,000	4,601,230	1,837,504	20,534,007
Fund balances, end of year	\$ 18,524,828	\$ 30,111	\$ 8,554,141	\$ 1,914,166	\$ 29,023,246

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CITY OF LANSING, MICHIGAN

Nonmajor Special Revenue Funds

Major Streets Fund - This fund accounts for revenues received from the State of Michigan for the City's share of state gasoline and weight taxes, which is used for maintenance of major streets.

Local Streets Fund - This fund accounts for revenues received from the State of Michigan for the City's share of state gasoline and weight taxes, which is used for maintenance of local streets.

Drug Law Enforcement Federal Fund - This fund accounts for federal revenues, from the Departments of Justice and Treasury, set aside for drug law enforcement under the provisions of Federal Grant Agreements.

Drug Law Enforcement State and Local Fund - This fund accounts for state and local revenues, from the Departments of Justice and Treasury, set aside for drug law enforcement under the provisions of State of Michigan Public Act 135 of 1985, as amended.

Community Development Block Grant Program Fund - This fund accounts for revenues received from the Department of Housing and Urban Development. These revenues are restricted to accomplishing the various objectives of Community Development Block Grant Programs, within specific target areas.

Downtown Lansing, Inc. Fund - This fund accounts for assessments received from businesses located in the district. The revenues are used for special events and maintenance of the district.

Building Department Fund - This fund accounts for revenues and expenditures resulting from the enforcement of the State Construction Code Act of 1999 (PA 245 of 1999).

Parks Department Fund - This fund accounts for contributions and transfers which are restricted for park expenditures.

State and Federal Grants Fund - This fund accounts for all revenues received from miscellaneous grants and contributions. These revenues are used for projects as detailed in individual grant applications.

Tri-County Metro Fund - This fund accounts for the operations of the Tri-County Metro Narcotics Squad.

CITY OF LANSING, MICHIGAN

Combining Balance Sheet

Nonmajor Special Revenue Funds
June 30, 2019

	Major Streets	Local Streets	Drug Law Enforcement Federal	Drug Law Enforcement State and Local	Community Development Block Grant Program
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 33,000	\$ -
Equity in pooled cash and investments	10,793,690	2,356,585	475,646	730,110	-
Accounts receivable, net	-	-	-	-	-
Loans receivable	-	-	-	-	1,185,000
Accrued interest receivable	-	-	-	-	2,172,446
Due from other governments, net	2,194,338	524,644	-	-	764,393
Inventories	1,030,305	-	-	-	-
Prepays	2,398	-	-	4,908	-
Total assets	\$ 14,020,731	\$ 2,881,229	\$ 475,646	\$ 768,018	\$ 4,121,839
Liabilities					
Negative equity in pooled cash	\$ -	\$ -	\$ -	\$ -	\$ 10,000
Accounts payable	444,324	489,289	-	11,343	113,370
Deposits payable	-	-	-	-	-
Accrued payroll	-	-	-	-	16,878
Indemnity bonds	43,867	-	-	-	-
Due to other funds	-	-	-	-	624,145
Due to other governments	-	-	-	-	-
Unearned revenue	39,733	11,658	-	-	-
Total liabilities	527,924	500,947	-	11,343	764,393
Deferred inflows of resources					
Unavailable revenues - loans and accrued interest receivable	-	-	-	-	3,357,446
Fund balances					
Nonspendable	1,032,703	-	-	4,908	-
Restricted	12,460,104	2,380,282	475,646	751,767	-
Committed	-	-	-	-	-
Total fund balances	13,492,807	2,380,282	475,646	756,675	-
Total liabilities, deferred inflows of resources and fund balances	\$ 14,020,731	\$ 2,881,229	\$ 475,646	\$ 768,018	\$ 4,121,839

Downtown Lansing, Inc.	Building Department	Parks Department	State and Federal Grants	Tri-County Metro	Totals
\$ -	\$ -	\$ -	\$ -	\$ 49,029	\$ 82,029
54,400	562,090	484,669	-	890,367	16,347,557
-	4,859	-	-	-	4,859
-	-	-	37,523	-	1,222,523
-	-	-	-	-	2,172,446
1,000	-	-	4,165,779	41,415	7,691,569
-	-	-	-	-	1,030,305
250	-	-	-	-	7,556
<u>\$ 55,650</u>	<u>\$ 566,949</u>	<u>\$ 484,669</u>	<u>\$ 4,203,302</u>	<u>\$ 980,811</u>	<u>\$ 28,558,844</u>
\$ -	\$ -	\$ -	\$ 2,879,204	\$ -	\$ 2,889,204
6,179	518	-	707,190	91,350	1,863,563
-	-	-	-	35,020	35,020
1,983	32,483	-	14,471	1,383	67,198
-	-	-	-	-	43,867
-	-	-	-	-	624,145
-	-	-	90,420	496,830	587,250
-	2,915	-	474,494	-	528,800
<u>8,162</u>	<u>35,916</u>	<u>-</u>	<u>4,165,779</u>	<u>624,583</u>	<u>6,639,047</u>
-	-	-	37,523	-	3,394,969
250	-	-	-	-	1,037,861
47,238	531,033	-	-	356,228	17,002,298
-	-	484,669	-	-	484,669
<u>47,488</u>	<u>531,033</u>	<u>484,669</u>	<u>-</u>	<u>356,228</u>	<u>18,524,828</u>
<u>\$ 55,650</u>	<u>\$ 566,949</u>	<u>\$ 484,669</u>	<u>\$ 4,203,302</u>	<u>\$ 980,811</u>	<u>\$ 28,558,844</u>

CITY OF LANSING, MICHIGAN

Combining Statement of Revenues, Expenditures and Change in Fund Balances

Nonmajor Special Revenue Funds
For the Year Ended June 30, 2019

	Major Streets	Local Streets	Drug Law Enforcement Federal	Drug Law Enforcement State and Local	Community Development Block Grant Program
Revenues					
Property taxes and special assessments	\$ 122,854	\$ -	\$ -	\$ -	\$ -
Intergovernmental	12,886,951	3,165,250	269,883	-	2,236,213
Charges for services	41,667	41,669	-	-	-
Fines and forfeitures	-	-	-	114,832	-
Interest and rents	161,359	106,663	6,964	14,180	-
Contributions	-	-	-	-	-
Other revenues	179,008	-	-	-	173,880
Total revenues	13,391,839	3,313,582	276,847	129,012	2,410,093
Expenditures					
Current expenditures:					
General government	-	-	-	-	-
Public safety	-	-	98,715	111,626	-
Public works	-	-	-	-	-
Highways and streets	6,305,620	5,679,276	-	-	-
Community development	-	-	-	-	2,410,093
Debt service:					
Principal	471,930	352,613	-	-	-
Interest	175,055	359,124	-	-	-
Capital outlay	1,432,267	1,846,778	-	-	-
Total expenditures	8,384,872	8,237,791	98,715	111,626	2,410,093
Revenues over (under) expenditures	5,006,967	(4,924,209)	178,132	17,386	-
Other financing sources (uses)					
Transfers in	-	4,970,000	-	-	-
Transfers out	(2,900,000)	-	-	-	-
Issuance of long-term debt	915,750	749,250	-	-	-
Issuance of long-term refunding debt	1,788,962	5,149,737	-	-	-
Bond premium	219,490	561,180	-	-	-
Payment to refunding bond escrow agent	(1,995,908)	(5,745,455)	-	-	-
Total other financing sources (uses)	(1,971,706)	5,684,712	-	-	-
Net change in fund balances	3,035,261	760,503	178,132	17,386	-
Fund balances, beginning of year	10,457,546	1,619,779	297,514	739,289	-
Fund balances, end of year	\$ 13,492,807	\$ 2,380,282	\$ 475,646	\$ 756,675	\$ -

Downtown Lansing, Inc.	Building Department	Parks Department	State and Federal Grants	Tri-County Metro	Totals
\$ 429,654	\$ -	\$ -	\$ -	\$ -	\$ 552,508
-	-	-	7,966,087	658,773	27,183,157
4,050	3,010,114	-	444,337	-	3,541,837
-	-	-	-	141,441	256,273
2,971	-	8,967	-	17,098	318,202
12,500	-	-	-	-	12,500
232,456	-	-	151,151	-	736,495
681,631	3,010,114	8,967	8,561,575	817,312	32,600,972
834,721	2,479,081	-	-	-	3,313,802
-	-	-	752,323	921,249	1,883,913
-	-	-	17,339	-	17,339
-	-	-	-	-	11,984,896
-	-	-	7,850,133	-	10,260,226
-	-	-	-	-	824,543
-	-	-	-	-	534,179
-	-	-	-	-	3,279,045
834,721	2,479,081	-	8,619,795	921,249	32,097,943
(153,090)	531,033	8,967	(58,220)	(103,937)	503,029
156,300	-	-	58,220	-	5,184,520
-	-	-	-	-	(2,900,000)
-	-	-	-	-	1,665,000
-	-	-	-	-	6,938,699
-	-	-	-	-	780,670
-	-	-	-	-	(7,741,363)
156,300	-	-	58,220	-	3,927,526
3,210	531,033	8,967	-	(103,937)	4,430,555
44,278	-	475,702	-	460,165	14,094,273
\$ 47,488	\$ 531,033	\$ 484,669	\$ -	\$ 356,228	\$ 18,524,828

CITY OF LANSING, MICHIGAN

Schedule of Revenues, Expenditures and Change in Fund Balances

Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2019

	Major Streets		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Property taxes and special assessments	\$ -	\$ 122,854	\$ 122,854
Intergovernmental	11,600,385	12,886,951	1,286,566
Charges for services	959,000	41,667	(917,333)
Fines and forfeitures	-	-	-
Interest and rents	-	161,359	161,359
Contributions	-	-	-
Other revenues	45,000	179,008	134,008
Total revenues	12,604,385	13,391,839	787,454
Expenditures			
Current expenditures:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Highways and streets	8,389,385	6,305,620	(2,083,765)
Community development	-	-	-
Debt service:			
Principal	376,200	471,930	95,730
Interest	150,000	175,055	25,055
Capital outlay	2,700,000	1,432,267	(1,267,733)
Total expenditures	11,615,585	8,384,872	(3,230,713)
Revenues over (under) expenditures	988,800	5,006,967	4,018,167
Other financing sources (uses)			
Transfers in	100,000	-	(100,000)
Transfers out	(2,900,000)	(2,900,000)	-
Issuance of long-term debt	-	2,704,712	2,704,712
Bond premium	-	219,490	219,490
Payment to refunding bond escrow agent	-	(1,995,908)	1,995,908
Total other financing sources (uses)	(2,800,000)	(1,971,706)	828,294
Net change in fund balances	(1,811,200)	3,035,261	4,846,461
Fund balances, beginning of year	10,457,546	10,457,546	-
Fund balances, end of year	\$ 8,646,346	\$ 13,492,807	\$ 4,846,461

Local Streets			Drug Law Enforcement Federal		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,196,200	3,165,250	(30,950)	-	269,883	269,883
200,000	41,669	(158,331)	-	-	-
-	-	-	-	-	-
120,000	106,663	(13,337)	-	6,964	6,964
-	-	-	-	-	-
-	-	-	-	-	-
3,516,200	3,313,582	(202,618)	-	276,847	276,847
-	-	-	-	-	-
-	-	-	108,000	98,715	(9,285)
-	-	-	-	-	-
5,413,600	5,679,276	265,676	-	-	-
-	-	-	-	-	-
448,400	352,613	(95,787)	-	-	-
279,000	359,124	80,124	-	-	-
2,520,000	1,846,778	(673,222)	-	-	-
8,661,000	8,237,791	(423,209)	108,000	98,715	(9,285)
(5,144,800)	(4,924,209)	220,591	(108,000)	178,132	286,132
5,270,000	4,970,000	(300,000)	-	-	-
-	-	-	-	-	-
-	5,898,987	5,898,987	-	-	-
-	561,180	561,180	-	-	-
-	(5,745,455)	5,745,455	-	-	-
5,270,000	5,684,712	414,712	-	-	-
125,200	760,503	635,303	(108,000)	178,132	286,132
1,619,779	1,619,779	-	297,514	297,514	-
\$ 1,744,979	\$ 2,380,282	\$ 635,303	\$ 189,514	\$ 475,646	\$ 286,132

continued...

CITY OF LANSING, MICHIGAN

Schedule of Revenues, Expenditures and Change in Fund Balances

Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2019

	Drug Law Enforcement State and Local		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Property taxes and special assessments	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	-	-	-
Fines and forfeitures	-	114,832	114,832
Interest and rents	-	14,180	14,180
Contributions	-	-	-
Other revenues	-	-	-
Total revenues	-	129,012	129,012
Expenditures			
Current expenditures:			
General government	-	-	-
Public safety	523,600	111,626	(411,974)
Public works	-	-	-
Highways and streets	-	-	-
Community development	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	-
Total expenditures	523,600	111,626	(411,974)
Revenues over (under) expenditures	(523,600)	17,386	540,986
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Issuance of long-term debt	-	-	-
Bond premium	-	-	-
Payment to refunding bond escrow agent	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(523,600)	17,386	540,986
Fund balances, beginning of year	739,289	739,289	-
Fund balances, end of year	\$ 215,689	\$ 756,675	\$ 540,986

Community Development Block Grant Program			Downtown Lansing, Inc.		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -	\$ 420,400	\$ 429,654	\$ 9,254
2,850,968	2,236,213	(614,755)	-	-	-
-	-	-	5,250	4,050	(1,200)
-	-	-	-	-	-
-	-	-	-	2,971	2,971
-	-	-	10,000	12,500	2,500
-	173,880	173,880	285,025	232,456	(52,569)
2,850,968	2,410,093	(440,875)	720,675	681,631	(39,044)
-	-	-	891,500	834,721	(56,779)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,003,498	2,410,093	(593,405)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,003,498	2,410,093	(593,405)	891,500	834,721	(56,779)
(152,530)	-	152,530	(170,825)	(153,090)	17,735
152,530	-	(152,530)	156,300	156,300	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
152,530	-	(152,530)	156,300	156,300	-
-	-	-	(14,525)	3,210	17,735
-	-	-	44,278	44,278	-
\$ -	\$ -	\$ -	\$ 29,753	\$ 47,488	\$ 17,735

continued...

CITY OF LANSING, MICHIGAN

Schedule of Revenues, Expenditures and Change in Fund Balances

Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2019

	Building Department		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Property taxes and special assessments	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	2,595,000	3,010,114	415,114
Fines and forfeitures	-	-	-
Interest and rents	-	-	-
Contributions	-	-	-
Other revenues	-	-	-
Total revenues	<u>2,595,000</u>	<u>3,010,114</u>	<u>415,114</u>
Expenditures			
Current expenditures:			
General government	2,570,000	2,479,081	(90,919)
Public safety	-	-	-
Public works	-	-	-
Highways and streets	-	-	-
Community development	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>2,570,000</u>	<u>2,479,081</u>	<u>(90,919)</u>
Revenues over (under) expenditures	<u>25,000</u>	<u>531,033</u>	<u>506,033</u>
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Issuance of long-term debt	-	-	-
Bond premium	-	-	-
Payment to refunding bond escrow agent	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>25,000</u>	<u>531,033</u>	<u>506,033</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 25,000</u>	<u>\$ 531,033</u>	<u>\$ 506,033</u>

Parks Department			State and Federal Grants		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	11,076,098	7,966,087	(3,110,011)
-	-	-	-	444,337	444,337
-	-	-	-	-	-
-	8,967	8,967	-	-	-
-	-	-	-	-	-
-	-	-	854,613	151,151	(703,462)
-	8,967	8,967	11,930,711	8,561,575	(3,369,136)
-	-	-	-	-	-
-	-	-	779,849	752,323	(27,526)
-	-	-	-	17,339	17,339
-	-	-	-	-	-
-	-	-	10,890,957	7,850,133	(3,040,824)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	11,670,805	8,619,795	(3,051,010)
-	8,967	8,967	259,905	(58,220)	(318,125)
-	-	-	84,940	58,220	(26,720)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	84,940	58,220	(26,720)
-	8,967	8,967	344,845	-	(344,845)
475,702	475,702	-	-	-	-
\$ 475,702	\$ 484,669	\$ 8,967	\$ 344,845	\$ -	(344,845)

continued...

CITY OF LANSING, MICHIGAN

Schedule of Revenues, Expenditures and Change in Fund Balances

Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2019

	Tri-County Metro		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Property taxes and special assessments	\$ -	\$ -	\$ -
Intergovernmental	560,220	658,773	98,553
Charges for services	-	-	-
Fines and forfeitures	428,220	141,441	(286,779)
Interest and rents	-	17,098	17,098
Contributions	-	-	-
Other revenues	-	-	-
Total revenues	988,440	817,312	(171,128)
Expenditures			
Current expenditures:			
General government	-	-	-
Public safety	988,440	921,249	(67,191)
Public works	-	-	-
Highways and streets	-	-	-
Community development	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	-
Total expenditures	988,440	921,249	(67,191)
Revenues over (under) expenditures	-	(103,937)	(103,937)
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Issuance of long-term debt	-	-	-
Bond premium	-	-	-
Payment to refunding bond escrow agent	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	-	(103,937)	(103,937)
Fund balances, beginning of year	460,165	460,165	-
Fund balances, end of year	\$ 460,165	\$ 356,228	\$ (103,937)



Totals		
Final Budget	Actual	Actual Over (Under) Final Budget
\$ 420,400	\$ 552,508	\$ 132,108
29,283,871	27,183,157	(2,100,714)
3,759,250	3,541,837	(217,413)
428,220	256,273	(171,947)
120,000	318,202	198,202
10,000	12,500	2,500
1,184,638	736,495	(448,143)
35,206,379	32,600,972	(2,605,407)
3,461,500	3,313,802	(147,698)
2,399,889	1,883,913	(515,976)
-	17,339	17,339
13,802,985	11,984,896	(1,818,089)
13,894,455	10,260,226	(3,634,229)
824,600	824,543	(57)
429,000	534,179	105,179
5,220,000	3,279,045	(1,940,955)
40,032,428	32,097,943	(7,934,485)
(4,826,050)	503,029	5,329,079
5,763,770	5,184,520	(579,250)
(2,900,000)	(2,900,000)	-
-	8,603,699	8,603,699
-	780,670	780,670
-	(7,741,363)	(7,741,363)
2,863,770	3,927,526	1,063,756
(1,962,280)	4,430,555	6,392,835
14,094,273	14,094,273	-
\$ 12,131,993	\$ 18,524,828	\$ 6,392,835

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CITY OF LANSING, MICHIGAN

Nonmajor Debt Service Funds

1999 Fire Station Fund - This fund accounts for the accumulation of resources for payment of the 1999 \$3,000,000 Unlimited Tax General Obligation Bonds (which was refunding in 2007 in the amount of \$1,780,000).

2001 Fire Station Fund - This fund accounts for the accumulation of resources for the payment of the 2001 \$4,000,000 Unlimited Tax General Obligation Bonds (which was refunding in 2010 in the amount of \$2,470,000).

CITY OF LANSING, MICHIGAN

Combining Balance Sheet

Nonmajor Debt Service Funds
June 30, 2019

	1999 Fire Station	2001 Fire Station	Totals
Assets			
Equity in pooled cash and investments	\$ 30,111	\$ -	\$ 30,111
Fund balances			
Restricted	\$ 30,111	\$ -	\$ 30,111

CITY OF LANSING, MICHIGAN

Combining Statement of Revenues, Expenditures and Change in Fund Balances

Nonmajor Debt Service Funds

For the Year Ended June 30, 2019

	1999 Fire Station	2001 Fire Station	Totals
Revenues			
Taxes and special assessments	\$ 232,911	\$ 312,833	\$ 545,744
Expenditures			
Debt service:			
Principal	195,000	305,000	500,000
Interest	7,800	9,583	17,383
Total expenditures	202,800	314,583	517,383
Revenues over (under) expenditures	30,111	(1,750)	28,361
Other financing sources			
Transfers in	-	750	750
Net change in fund balances	30,111	(1,000)	29,111
Fund balances, beginning of year	-	1,000	1,000
Fund balances, end of year	\$ 30,111	\$ -	\$ 30,111

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CITY OF LANSING, MICHIGAN

■ Nonmajor Capital Projects Funds

Special Assessments Fund - This fund is used to account for the financing of public improvements deemed to benefit the properties against which special assessments are levied.

Other Capital Projects Fund - This fund accounts for accounts for miscellaneous capital projects.

CITY OF LANSING, MICHIGAN

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2019

	Special Assessments	Other Capital Projects	Totals
Assets			
Cash and cash equivalents	\$ -	\$ 89,710	\$ 89,710
Equity in pooled cash and investments	-	8,664,141	8,664,141
Accounts receivable, net	-	116,032	116,032
Special assessments receivable:			
Current	34,757	-	34,757
Deferred	156,444	-	156,444
Total assets	\$ 191,201	\$ 8,869,883	\$ 9,061,084
Liabilities			
Accounts payable	\$ -	\$ 200,196	\$ 200,196
Advance from other funds	150,303	-	150,303
Total liabilities	150,303	200,196	350,499
Deferred inflows of resources			
Unavailable revenues - special assessments	156,444	-	156,444
Fund balances			
Restricted	-	6,368	6,368
Committed	-	8,663,319	8,663,319
Unassigned (deficit)	(115,546)	-	(115,546)
Total fund balances	(115,546)	8,669,687	8,554,141
Total liabilities, deferred inflows of resources and fund balances	\$ 191,201	\$ 8,869,883	\$ 9,061,084

CITY OF LANSING, MICHIGAN

Combining Statement of Revenues, Expenditures and Change in Fund Balances

Nonmajor Capital Projects Funds

For the Year Ended June 30, 2019

	Special Assessments	Other Capital Projects	Totals
Revenues			
Special assessments	\$ 39,715	\$ -	\$ 39,715
Charges for services	-	2,669,488	2,669,488
Interest and rents	-	43,380	43,380
Total revenues	39,715	2,712,868	2,752,583
Expenditures			
Capital outlay	-	1,519,025	1,519,025
Revenues over expenditures	39,715	1,193,843	1,233,558
Other financing sources (uses)			
Transfers in	-	3,431,250	3,431,250
Transfers out	-	(711,897)	(711,897)
Total other financing sources (uses)	-	2,719,353	2,719,353
Net change in fund balances	39,715	3,913,196	3,952,911
Fund balances (deficit), beginning of year	(155,261)	4,756,491	4,601,230
Fund balances (deficit), end of year	\$ (115,546)	\$ 8,669,687	\$ 8,554,141

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CITY OF LANSING, MICHIGAN

Nonmajor Permanent Funds

Cemetery Perpetual Care Fund - This fund accounts for transfers from the Cemetery Fund, representing 15% of lot sales. These funds are invested, and all investment earnings are transferred to the Cemetery Fund for lot maintenance.

Parks Trust Fund - This fund accounts for contributions made for City parks, the principal of which must be preserved in accordance with the trust indentures. Income derived from these contributions is transferred to the Parks Department special revenue fund.

CITY OF LANSING, MICHIGAN

Combining Balance Sheet
Nonmajor Permanent Funds
June 30, 2019

	Cemetery Perpetual Care	Parks Trust	Totals
Assets			
Equity in pooled cash and investments	\$ 1,912,874	\$ 1,292	\$ 1,914,166
Fund balances			
Nonspendable	\$ 1,912,874	\$ 1,292	\$ 1,914,166

CITY OF LANSING, MICHIGAN

Combining Statement of Revenues, Expenditures and Change in Fund Balances

Nonmajor Permanent Funds

For the Year Ended June 30, 2019

	Cemetery Perpetual Care	Parks Trust	Totals
Revenues			
Interest and rents	\$ 43,862	\$ 24	\$ 43,886
Other financing sources			
Transfers in	32,776	-	32,776
Net change in fund balances	76,638	24	76,662
Fund balances, beginning of year	1,836,236	1,268	1,837,504
Fund balances, end of year	\$ 1,912,874	\$ 1,292	\$ 1,914,166

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CITY OF LANSING, MICHIGAN

■ Nonmajor Enterprise Funds

Cemetery Fund - This fund accounts for the operation of City-owned cemeteries.

Golf Fund - This fund accounts for the operation of the City-owned golf courses.

Garbage and Rubbish Collection Fund - This fund accounts for the provision of household solid waste disposal services to participating residents of the City.

Recycling Fund - This fund accounts for the provision of recycling services to participating residents of the City.

CITY OF LANSING, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2019

	Cemetery	Golf	Garbage and Rubbish Collection	Recycling	Totals
Assets					
Current assets:					
Cash and cash equivalents	\$ 200	\$ -	\$ 23,368	\$ -	\$ 23,568
Equity in pooled cash and investments	197,685	-	531,795	1,165,009	1,894,489
Accounts receivable, net	-	-	163,954	6,374	170,328
Inventories	52,493	-	-	-	52,493
Total current assets	250,378	-	719,117	1,171,383	2,140,878
Noncurrent assets:					
Capital assets not being depreciated	57,740	446,501	-	-	504,241
Capital assets being depreciated, net	87,224	1,818,276	-	150,507	2,056,007
Total noncurrent assets	144,964	2,264,777	-	150,507	2,560,248
Total assets	395,342	2,264,777	719,117	1,321,890	4,701,126
Deferred outflows of resources					
Deferred pension amounts	50,503	-	101,006	151,509	303,018
Deferred other postemployment benefit amounts	18,513	-	39,003	91,466	148,982
Total deferred outflows of resources	69,016	-	140,009	242,975	452,000
Liabilities					
Current liabilities:					
Accounts payable	22,671	-	56,289	102,396	181,356
Accrued interest payable	-	-	-	2,857	2,857
Accrued payroll	1,845	-	-	-	1,845
Unearned revenues	-	-	160,119	-	160,119
Current portion of:					
Bonds and notes payable	-	-	-	230,023	230,023
Compensated absences	1,657	-	3,487	8,177	13,321
Total current liabilities	26,173	-	219,895	343,453	589,521
Noncurrent liabilities:					
Bonds and notes payable, net of current portion	-	-	-	352,897	352,897
Compensated absences, net of current portion	22,066	-	46,444	108,906	177,416
Net pension liability	1,381,457	-	2,762,902	4,144,352	8,288,711
Net other postemployment benefit liability	1,157,379	-	2,438,395	5,718,209	9,313,983
Total noncurrent liabilities	2,560,902	-	5,247,741	10,324,364	18,133,007
Total liabilities	2,587,075	-	5,467,636	10,667,817	18,722,528
Deferred inflows of resources					
Deferred pension amounts	17,065	-	34,130	51,195	102,390
Net position					
Net investment in capital assets	144,964	2,264,777	-	(432,413)	1,977,328
Unrestricted (deficit)	(2,284,746)	-	(4,642,640)	(8,721,734)	(15,649,120)
Total net position	\$ (2,139,782)	\$ 2,264,777	\$ (4,642,640)	\$ (9,154,147)	\$ (13,671,792)

CITY OF LANSING, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Nonmajor Enterprise Funds

For the Year Ended June 30, 2019

	Cemetery	Golf	Garbage and Rubbish Collection	Recycling	Totals
Operating revenues					
Charges for services	\$ 415,757	\$ -	\$ 2,243,627	\$ 4,081,700	\$ 6,741,084
Operating expenses					
Personnel services	176,128	8,081	168,869	1,608,187	1,961,265
Purchase of goods and services	284,265	193,229	866,393	1,718,493	3,062,380
Depreciation	9,827	77,191	-	301,012	388,030
Total operating expenses	470,220	278,501	1,035,262	3,627,692	5,411,675
Operating income (loss)	(54,463)	(278,501)	1,208,365	454,008	1,329,409
Nonoperating revenues (expenses)					
Interest revenue	-	-	13,786	37,180	50,966
Interest expense and fees	-	-	-	(14,586)	(14,586)
Capital contribution to others	-	-	-	(214,486)	(214,486)
Total nonoperating revenues (expenses)	-	-	13,786	(191,892)	(178,106)
Income (loss) before transfers	(54,463)	(278,501)	1,222,151	262,116	1,151,303
Transfers					
Transfers in	486,850	126,743	-	-	613,593
Transfers out	(32,776)	-	-	-	(32,776)
Total transfers	454,074	126,743	-	-	580,817
Change in net position	399,611	(151,758)	1,222,151	262,116	1,732,120
Net position, beginning of year	(2,539,393)	2,416,535	(5,864,791)	(9,416,263)	(15,403,912)
Net position, end of year	\$ (2,139,782)	\$ 2,264,777	\$ (4,642,640)	\$ (9,154,147)	\$ (13,671,792)

CITY OF LANSING, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended June 30, 2019

	Cemetery	Golf	Garbage and Rubbish Collection	Recycling	Totals
Cash flows from operating activities					
Cash received from customers	\$ 415,757	\$ -	\$ 2,185,037	\$ 4,084,189	\$ 6,684,983
Cash payments for goods and services	(311,653)	(193,229)	(832,068)	(1,662,336)	(2,999,286)
Cash payments to employees	(422,636)	(8,081)	(969,246)	(2,033,995)	(3,433,958)
Net cash provided by (used in) operating activities	(318,532)	(201,310)	383,723	387,858	251,739
Cash flows from noncapital financing activities					
Transfers in	486,850	126,743	-	-	613,593
Transfers out	(32,776)	-	-	-	(32,776)
Net cash provided by noncapital financing activities	454,074	126,743	-	-	580,817
Cash flows from capital and related financing activities					
Capital contributions to others	-	-	-	(214,486)	(214,486)
Principal paid on long-term debt	-	-	-	(225,580)	(225,580)
Interest paid on long-term debt	-	-	-	(15,691)	(15,691)
Net cash used in capital and related financing activities	-	-	-	(455,757)	(455,757)
Cash flows from investing activities					
Interest and dividends received	-	-	13,786	37,180	50,966
Net change in cash and cash equivalents	135,542	(74,567)	397,509	(30,719)	427,765
Cash and cash equivalents, beginning of year	62,343	74,567	157,654	1,195,728	1,490,292
Cash and cash equivalents, end of year	\$ 197,885	\$ -	\$ 555,163	\$ 1,165,009	\$ 1,918,057
Reconciliation to statement of net position					
Cash and cash equivalents	\$ 200	\$ -	\$ 23,368	\$ -	\$ 23,568
Equity in pooled cash and investments	197,685	-	531,795	1,165,009	1,894,489
	\$ 197,885	\$ -	\$ 555,163	\$ 1,165,009	\$ 1,918,057

continued...

CITY OF LANSING, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended June 30, 2019

	Cemetery	Golf	Garbage and Rubbish Collection	Recycling	Totals
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (54,463)	\$ (278,501)	\$ 1,208,365	\$ 454,008	\$ 1,329,409
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	9,827	77,191	-	301,012	388,030
Changes in:					
Accounts receivable	-	-	(47,454)	2,489	(44,965)
Deferred outflows - pension	45,912	-	110,877	111,182	267,971
Deferred outflows - OPEB	(18,513)	-	(39,003)	(91,466)	(148,982)
Accounts payable	(27,388)	-	34,325	56,157	63,094
Accrued payroll	22	-	-	-	22
Unearned revenues	-	-	(11,136)	-	(11,136)
Compensated absences	952	-	2,004	4,699	7,655
Net pension liability	(212,599)	-	(740,241)	(198,828)	(1,151,668)
Deferred inflows - pension	(20,478)	-	(48,376)	(51,095)	(119,949)
Net other postemployment benefit liability	2,623	-	7,873	18,970	29,466
Deferred inflows - OPEB	(44,427)	-	(93,511)	(219,270)	(357,208)
Net cash provided by (used in) operating activities	<u>\$ (318,532)</u>	<u>\$ (201,310)</u>	<u>\$ 383,723</u>	<u>\$ 387,858</u>	<u>\$ 251,739</u>

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CITY OF LANSING, MICHIGAN

Internal Service Funds

Fleet Maintenance Fund - This fund accounts for the costs of maintaining the City's fleet of vehicles and heavy equipment.

Fringe Benefits Fund - This fund accounts for the costs of the City's fringe benefits.

Engineering Fund - This fund accounts for the operations of the City's engineering department.

Information Technology Fund - This fund accounts for the operations of the City's information technology department.

CITY OF LANSING, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

June 30, 2019

	Fleet Maintenance	Fringe Benefits	Engineering	Information Technology	Totals
Assets					
Current assets:					
Equity in pooled cash and investments	\$ 1,614,969	\$ 2,971,528	\$ 974,132	\$ 1,876,618	\$ 7,437,247
Accounts receivable, net	3,075	8,265	-	-	11,340
Inventories	352,259	-	-	-	352,259
Prepays	36,675	399,276	-	199,039	634,990
Total current assets	<u>2,006,978</u>	<u>3,379,069</u>	<u>974,132</u>	<u>2,075,657</u>	<u>8,435,836</u>
Noncurrent assets:					
Capital assets not being depreciated	92,892	-	-	-	92,892
Capital assets being depreciated, net	9,773,085	-	1,475,229	-	11,248,314
Total noncurrent assets	<u>9,865,977</u>	<u>-</u>	<u>1,475,229</u>	<u>-</u>	<u>11,341,206</u>
Total assets	<u>11,872,955</u>	<u>3,379,069</u>	<u>2,449,361</u>	<u>2,075,657</u>	<u>19,777,042</u>
Liabilities					
Current liabilities:					
Accounts payable	113,088	1,585,286	18,261	837,220	2,553,855
Accrued interest payable	17,147	-	-	-	17,147
Accrued payroll	56,384	14,673	61,903	26,277	159,237
Claims incurred but not reported	-	750,000	-	-	750,000
Current portion of:					
Bonds and notes payable	370,290	-	-	-	370,290
Compensated absences	27,449	-	15,680	40,675	83,804
Total current liabilities	<u>584,358</u>	<u>2,349,959</u>	<u>95,844</u>	<u>904,172</u>	<u>3,934,333</u>
Noncurrent liabilities:					
Bonds and notes payable, net of current portion	2,301,746	-	-	-	2,301,746
Compensated absences, net of current portion	158,903	56,368	434,620	113,371	763,262
Total noncurrent liabilities	<u>2,460,649</u>	<u>56,368</u>	<u>434,620</u>	<u>113,371</u>	<u>3,065,008</u>
Total liabilities	<u>3,045,007</u>	<u>2,406,327</u>	<u>530,464</u>	<u>1,017,543</u>	<u>6,999,341</u>
Net position					
Net investment in capital assets	7,193,941	-	1,475,229	-	8,669,170
Unrestricted	1,634,007	972,742	443,668	1,058,114	4,108,531
Total net position	<u>\$ 8,827,948</u>	<u>\$ 972,742</u>	<u>\$ 1,918,897</u>	<u>\$ 1,058,114</u>	<u>\$ 12,777,701</u>

CITY OF LANSING, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Internal Service Funds

For the Year Ended June 30, 2019

	Fleet Maintenance	Fringe Benefits	Engineering	Information Technology	Totals
Operating revenues					
Charges for services	\$ 9,535,609	\$ 65,446,303	\$ 4,415,600	\$ 6,000,000	\$ 85,397,512
Operating expenses					
Personnel services	3,468,526	301,305	3,107,992	1,766,287	8,644,110
Purchase of goods and services	4,760,140	65,163,137	1,046,270	3,803,591	74,773,138
Depreciation	2,135,087	-	45,650	-	2,180,737
Total operating expenses	10,363,753	65,464,442	4,199,912	5,569,878	85,597,985
Operating income (loss)	(828,144)	(18,139)	215,688	430,122	(200,473)
Nonoperating revenues (expenses)					
Gain on sale of capital assets	64,820	-	-	-	64,820
Interest expense and fees	(174,413)	-	-	-	(174,413)
Total nonoperating revenues (expenses)	(109,593)	-	-	-	(109,593)
Change in net position	(937,737)	(18,139)	215,688	430,122	(310,066)
Net position, beginning of year	9,765,685	990,881	1,703,209	627,992	13,087,767
Net position, end of year	\$ 8,827,948	\$ 972,742	\$ 1,918,897	\$ 1,058,114	\$ 12,777,701

CITY OF LANSING, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2019

	Fleet Maintenance	Fringe Benefits	Engineering	Information Technology	Totals
Cash flows from operating activities					
Cash received from interfund services	\$ 9,568,055	\$ 65,954,559	\$ 4,415,600	\$ 6,000,000	\$ 85,938,214
Cash payments for goods and services	(4,800,282)	(64,270,447)	(1,028,114)	(4,033,293)	(74,132,136)
Cash payments to employees	(3,450,495)	(446,769)	(3,089,486)	(1,790,525)	(8,777,275)
Net cash provided by operating activities	1,317,278	1,237,343	298,000	176,182	3,028,803
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	77,416	-	-	-	77,416
Acquisition and construction of capital assets	(1,318,930)	-	-	-	(1,318,930)
Principal paid on long-term debt	(361,324)	-	-	-	(361,324)
Interest paid on long-term debt	(174,669)	-	-	-	(174,669)
Net cash used in capital and related financing activities	(1,777,507)	-	-	-	(1,777,507)
Net change in cash and cash equivalents	(460,229)	1,237,343	298,000	176,182	1,251,296
Cash and cash equivalents, beginning of year	2,075,198	1,734,185	676,132	1,700,436	6,185,951
Cash and cash equivalents, end of year	\$ 1,614,969	\$ 2,971,528	\$ 974,132	\$ 1,876,618	\$ 7,437,247

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CITY OF LANSING, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2019

	Fleet Maintenance	Fringe Benefits	Engineering	Information Technology	Totals
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ (828,144)	\$ (18,139)	\$ 215,688	\$ 430,122	\$ (200,473)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	2,135,087	-	45,650	-	2,180,737
Change in:					
Accounts receivable	32,446	508,256	-	-	540,702
Inventories	(10,114)	-	-	-	(10,114)
Prepays	(36,675)	(54,319)	-	(199,039)	(290,033)
Accounts payable	6,647	947,009	18,156	(30,663)	941,149
Accrued payroll	(969)	5,534	7,450	(2,208)	9,807
Claims incurred but not reported	-	(150,000)	-	-	(150,000)
Compensated absences	19,000	(998)	11,056	(22,030)	7,028
Net cash provided by operating activities	<u>\$ 1,317,278</u>	<u>\$ 1,237,343</u>	<u>\$ 298,000</u>	<u>\$ 176,182</u>	<u>\$ 3,028,803</u>

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CITY OF LANSING, MICHIGAN

Agency Funds

Bail Bonds Fund - This fund is used to hold cash received by the District Court for bail bonds.

Garnishment, Indemnity Bond and Restitution Fund - This fund is used to hold cash received by the District Court for garnishment payments until claimed, and to hold indemnity bonds deposited relating to civil disputes until the Court rules on the case.

CITY OF LANSING, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds
June 30, 2019

	54-A District Court		Totals
	Bail Bonds	Garnishment, Indemnity Bond and Restitution	
Assets			
Equity in pooled cash and investments	\$ 71,204	\$ 5,614	\$ 76,818
Liabilities			
Undistributed receipts	\$ 71,204	\$ 5,614	\$ 76,818

CITY OF LANSING, MICHIGAN

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2019

	Beginning Balance	Additions	Deletions	Ending Balance
54-A District Court - Bail Bonds				
Assets				
Equity in pooled cash and investments	\$ 75,812	\$ 596,314	\$ 600,922	\$ 71,204
Liabilities				
Undistributed receipts	\$ 75,812	\$ 596,314	\$ 600,922	\$ 71,204
54-A District Court - Garnishment, Indemnity Bond and Restitution				
Assets				
Equity in pooled cash and investments	\$ 8,796	\$ 148,727	\$ 151,909	\$ 5,614
Liabilities				
Undistributed receipts	\$ 8,796	\$ 148,727	\$ 151,909	\$ 5,614
Total - all agency funds				
Assets				
Equity in pooled cash and investments	\$ 84,608	\$ 745,041	\$ 752,831	\$ 76,818
Liabilities				
Undistributed receipts	\$ 84,608	\$ 745,041	\$ 752,831	\$ 76,818

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STATISTICAL SECTION

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CITY OF LANSING, MICHIGAN

Statistical Section Table of Contents

This part of the City of Lansing, Michigan's (the "City") comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

		<u>Page</u>
Financial Trends (Tables 1-4)	These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	193
Revenue Capacity (Tables 5-8)	These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes.	198
Debt Capacity (Tables 9-13)	These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	202
Demographic and Economic Information (Tables 14-15)	These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	207
Operating Information (Tables 16-18)	These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	210

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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CITY OF LANSING, MICHIGAN

Table 1 - Unaudited

Net Position by Component Last Ten Fiscal Years											
	2019	2018 ⁽²⁾	2017	2016	2015 ⁽¹⁾	2014	2013	2012	2011	2010	
Governmental activities											
Net investment in capital assets	\$ 146,153,309	\$ 148,263,240	\$ 149,533,948	\$ 149,676,860	\$ 151,785,916	\$ 150,976,010	\$ 154,372,604	\$ 163,723,249	\$ 180,571,237	\$ 186,536,428	
Restricted	23,505,738	15,189,723	10,993,950	12,922,525	12,311,541	13,133,137	12,552,011	14,524,584	14,777,571	14,304,689	
Unrestricted (deficit)	(629,587,773)	(606,529,375)	(276,790,945)	(265,678,371)	(251,453,207)	(46,344,555)	(39,467,672)	(34,371,855)	(18,840,717)	(7,649,432)	
Total governmental activities net position	\$ (459,928,726)	\$ (443,076,412)	\$ (116,263,047)	\$ (103,078,986)	\$ (87,355,750)	\$ 117,764,592	\$ 127,456,943	\$ 143,875,978	\$ 176,508,091	\$ 193,191,685	
Business-type activities											
Net investment in capital assets	\$ 233,988,263	\$ 227,127,434	\$ 224,161,744	\$ 220,436,882	\$ 218,813,478	\$ 214,458,841	\$ 212,682,278	\$ 209,584,457	\$ 204,149,751	\$ 194,854,140	
Restricted	1,953,175	1,886,620	1,818,671	2,764,963	2,889,096	8,746,096	11,077,134	12,382,060	13,080,302	19,917,341	
Unrestricted (deficit)	(7,299,147)	(13,854,833)	25,415,447	19,401,320	17,242,167	37,891,053	31,943,581	32,196,598	34,177,453	30,193,568	
Total business-type activities net position	\$ 228,642,291	\$ 215,159,221	\$ 251,395,862	\$ 242,603,165	\$ 238,944,741	\$ 261,095,990	\$ 255,702,993	\$ 254,163,115	\$ 251,407,506	\$ 244,965,049	
Primary government											
Net investment in capital assets	\$ 380,141,572	\$ 375,390,674	\$ 373,695,692	\$ 370,113,742	\$ 370,599,394	\$ 365,434,851	\$ 367,054,882	\$ 373,307,706	\$ 384,720,988	\$ 381,390,568	
Restricted	25,458,913	17,076,343	12,812,621	15,687,488	15,200,637	21,879,233	23,629,145	26,906,644	27,857,873	34,222,030	
Unrestricted (deficit)	(636,886,920)	(620,384,208)	(251,375,498)	(246,277,051)	(234,211,040)	(8,453,502)	(7,524,091)	(2,175,257)	15,336,736	22,544,136	
Total primary government net position	\$ (231,286,435)	\$ (227,917,191)	\$ 135,132,815	\$ 139,524,179	\$ 151,588,991	\$ 378,860,582	\$ 383,159,936	\$ 398,039,093	\$ 427,915,597	\$ 438,156,734	

Note: No discretely presented component units shown

(1) GASB Statement No. 68 was implemented for the fiscal year ended June 30, 2015. This resulted in presentation of the City's net pension liability on the statement of net position. Prior years were not restated.

(2) GASB Statement No. 75 was implemented for the fiscal year ended June 30, 2018. This resulted in presentation of the City's net OPEB liability on the statement of net position. Prior years were not restated.

CITY OF LANSING, MICHIGAN

Change in Net Position
Last Ten Fiscal Years

Table 2 - Unaudited

Expenses	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental activities:										
General government	\$ 26,679,840	\$ 16,995,976	\$ 21,778,154	\$ 27,993,414	\$ 25,225,893	\$ 24,771,054	\$ 27,438,065	\$ 30,841,776	\$ 25,665,269	\$ 30,326,671
Public safety	97,391,612	87,352,251	91,829,441	85,739,408	81,827,437	78,142,897	77,133,469	82,369,004	83,546,997	84,566,215
Public works	29,644,398	26,485,877	28,983,891	28,212,049	27,815,970	37,243,516	29,984,955	33,144,303	26,355,375	29,252,516
Recreation and culture	7,650,889	8,302,243	9,441,519	10,336,168	6,515,590	8,670,918	7,713,098	8,889,142	8,245,451	7,312,480
Community development	21,046,090	16,150,417	12,349,663	10,642,102	10,270,404	7,602,229	16,939,572	13,623,946	12,825,028	9,715,087
Interest on long-term debt	1,182,488	1,137,561	1,201,846	1,424,215	1,291,846	1,340,818	1,475,051	1,949,825	2,116,535	2,229,288
Total governmental activities expenses	183,595,317	156,424,325	165,584,514	164,347,356	152,947,140	157,771,432	160,684,210	170,817,996	158,754,655	163,402,257
Business-type activities:										
Sewage disposal system	31,939,976	28,552,143	27,567,228	28,487,957	27,506,843	28,682,809	26,298,964	26,836,597	26,444,741	24,931,075
Municipal parking system	7,081,998	9,888,246	6,866,747	7,651,077	7,605,461	7,851,702	8,108,373	9,491,376	9,896,498	8,305,095
Cemetery	470,220	1,379,877	886,579	708,545	632,485	722,270	633,050	639,000	755,766	659,584
Golf	278,501	(372,775)	802,564	845,575	852,634	935,671	892,117	810,372	846,817	869,003
Garbage and rubbish collection	1,035,262	3,101,893	1,543,380	2,085,728	1,712,671	1,722,843	1,557,708	1,558,024	1,515,600	1,451,059
Recycling	3,856,764	3,859,496	3,667,899	4,092,278	3,623,276	3,263,553	3,650,292	3,041,328	2,809,353	2,804,047
Total business-type activities expenses	44,662,721	46,408,880	41,334,397	43,871,160	41,933,370	43,178,848	41,140,504	42,376,697	42,268,775	39,019,863
Total primary government expenses	228,258,038	202,833,205	206,918,911	208,218,516	194,880,510	200,950,280	201,824,714	213,194,693	201,023,430	202,422,120
Program revenues										
Governmental activities:										
Charges for services:										
General government	7,567,720	7,038,702	7,295,556	7,279,427	6,815,975	6,820,261	6,162,713	6,428,110	6,742,306	6,565,263
Public safety	3,935,250	4,140,682	3,476,966	2,909,054	3,344,183	2,122,023	4,083,222	8,525,524	8,975,173	8,589,146
Public works	2,978,549	716,322	1,836,466	3,011,894	1,923,303	2,129,126	1,622,738	2,797,443	2,449,606	2,788,112
Recreation and culture	1,092,232	831,816	617,604	673,840	619,834	800,293	594,349	557,609	685,120	587,906
Community development	-	-	67,312	67,272	67,264	67,323	67,349	67,344	122,326	69,250
Operating grants and contributions	29,663,253	28,983,936	25,157,629	24,561,960	24,658,955	28,234,803	29,322,435	31,928,983	30,154,681	27,515,892
Capital grants and contributions	3,313,872	855,760	63,488	904,298	2,910,660	3,365,682	3,124,288	260,656	189,414	3,109,410
Total governmental activities program revenues	48,550,876	42,567,218	38,515,021	39,407,745	40,340,174	43,539,511	44,977,094	50,565,669	49,318,626	49,224,979
Business-type activities:										
Charges for services:										
Sewage disposal system	35,752,812	35,107,570	34,755,896	32,368,491	31,730,416	31,759,698	30,825,174	29,915,799	29,205,945	28,907,772
Municipal parking system	8,422,161	7,436,552	6,906,091	7,090,335	6,988,879	7,453,476	5,267,627	6,858,606	7,539,179	7,396,219
Cemetery	415,757	351,204	403,663	312,929	335,379	289,565	314,913	240,394	225,947	226,973
Golf	-	179,464	256,218	313,164	363,559	366,567	373,000	390,134	382,546	438,315
Garbage and rubbish collection	2,243,627	2,072,454	1,952,897	1,871,665	1,744,999	1,664,201	1,131,659	1,459,101	1,507,577	1,677,428
Recycling	4,081,700	3,779,468	3,614,794	3,627,070	3,624,671	3,508,536	3,434,622	2,818,364	2,609,423	2,651,309
Operating grants and contributions	6,648,917	1,603,942	1,391,326	1,312,362	1,143,085	2,574,949	1,193,571	1,331,737	4,456,708	1,535,907
Capital grants and contributions	-	-	100,000	-	-	-	-	2,683,657	1,439,044	11,928,108
Total business-type activities program revenues	57,564,974	50,530,654	49,380,885	46,896,016	45,930,988	47,616,992	42,540,566	45,697,792	47,366,369	54,762,031
Total primary government program revenues	106,115,850	93,097,872	87,895,906	86,303,761	86,271,162	91,156,503	87,517,660	96,263,461	96,684,995	103,987,010
Net (expenses) revenues										
Governmental activities	(135,044,441)	(113,857,107)	(127,069,493)	(124,939,611)	(112,606,966)	(114,231,921)	(115,707,116)	(120,252,327)	(109,436,029)	(114,177,278)
Business-type activities	12,902,253	4,121,774	8,046,488	3,024,856	3,997,618	4,438,144	1,400,062	3,321,095	5,097,594	15,742,168
Total primary government net expense	(122,142,188)	(109,735,333)	(119,023,005)	(121,914,755)	(108,609,348)	(109,793,777)	(114,307,054)	(116,931,232)	(104,338,435)	(98,435,110)

CITY OF LANSING, MICHIGAN

Change in Net Position

Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General revenues and other changes in net position										
Governmental activities:										
Taxes:										
Property taxes	\$ 41,692,930	\$ 39,573,468	\$ 40,568,278	\$ 38,578,548	\$ 39,657,382	\$ 38,079,548	\$ 38,668,837	\$ 33,506,860	\$ 37,233,590	\$ 39,010,960
Income taxes	37,021,436	38,455,296	35,694,010	34,573,130	31,660,923	31,450,913	29,850,755	27,943,070	28,699,749	27,408,443
Unrestricted grants and contributions	39,530,073	39,419,658	38,108,544	36,532,275	36,330,976	35,677,910	31,425,718	26,441,961	27,254,574	25,847,423
Investment earnings	463,685	216,239	125,539	99,058	26,353	36,836	58,588	69,265	89,735	246,495
Miscellaneous	64,820	-	135,270	63,079	280,280	-	-	123,066	108,601	75,094
Transfers	(580,817)	(912,186)	(746,209)	(629,715)	(644,485)	(705,637)	(583,117)	(464,008)	(633,814)	(464,807)
Total governmental activities	118,192,127	116,752,475	113,885,432	109,216,375	107,311,429	104,539,570	99,420,781	87,620,214	92,752,435	92,123,608
Business-type activities:										
Investment earnings	-	-	-	-	17,874	246,616	356,467	271,067	689,883	141,899
Miscellaneous	-	-	-	3,853	-	2,600	-	(1,300,561)	21,166	-
Transfers	580,817	912,186	746,209	629,715	644,485	705,637	583,117	464,008	633,814	464,807
Total business-type activities	580,817	912,186	746,209	633,568	662,359	954,853	939,584	(565,486)	1,344,863	606,706
Total primary government	118,772,944	117,664,661	114,631,641	109,849,943	107,973,788	105,494,423	100,360,365	87,054,728	94,097,298	92,730,314
Changes in net position										
Governmental activities	(16,852,314)	2,895,368	(13,184,061)	(15,723,236)	(5,295,537)	(9,692,351)	(16,286,335)	(32,632,113)	(16,683,594)	(22,053,670)
Business-type activities	13,483,070	5,033,960	8,792,697	3,658,424	4,659,977	5,392,997	2,339,646	2,755,609	6,442,457	16,348,874
Total primary government	\$ (3,369,244)	\$ 7,929,328	\$ (4,391,364)	\$ (12,064,812)	\$ (635,560)	\$ (4,299,354)	\$ (13,946,689)	\$ (29,876,504)	\$ (10,241,137)	\$ (5,704,796)

concluded

CITY OF LANSING, MICHIGAN

Table 3 - Unaudited

Fund Balances, Governmental Funds											
Last Ten Fiscal Years											
	2019	2018	2017	2016	2015	2014	2013	2012	2011 ⁽¹⁾	2010	
General fund											
Nonspendable	\$ 38,605	\$ 39,437	\$ 28,342	\$ 492,549	\$ 35,424	\$ 75,738	\$ 75,738	\$ 92,538	\$ 171,586	\$ -	
Restricted	-	-	-	-	10,044	9,400	9,400	16,256	41,129	-	
Committed	-	283,815	385,067	428,106	837,761	2,976,408	2,976,408	65,373	178,081	-	
Unassigned	9,992,885	17,003,260	15,283,857	12,407,748	9,783,911	5,633,528	5,633,528	5,198,032	4,939,691	-	
Reserved	-	-	-	-	-	-	-	-	-	102,732	
Unreserved	-	-	-	-	-	-	-	-	-	389,061	
Total general fund	10,031,490	17,326,512	15,697,266	13,328,403	10,667,140	8,695,074	8,695,074	5,372,199	5,330,487	491,793	
All other governmental funds											
Nonspendable	2,952,027	2,842,489	2,618,884	2,578,331	2,619,065	2,671,151	2,671,151	2,852,004	3,006,507	-	
Restricted	17,038,777	9,009,438	4,730,012	6,934,665	6,865,580	4,368,983	4,368,983	5,566,421	7,412,008	-	
Committed	9,147,988	8,837,341	10,426,961	8,427,253	7,110,485	4,035,145	4,035,145	4,109,131	4,908,740	-	
Unassigned (deficit)	(115,546)	(155,261)	(411,098)	(410,252)	(528,144)	(619,931)	(619,931)	(543,774)	(371,285)	-	
Reserved	-	-	-	-	-	-	-	-	-	1,177,998	
Unreserved, reported in:											
Special revenue funds	-	-	-	-	-	-	-	-	-	12,029,680	
Capital projects funds	-	-	-	-	-	-	-	-	-	11,614,644	
Debt service funds	-	-	-	-	-	-	-	-	-	126,434	
Permanent funds	-	-	-	-	-	-	-	-	-	1,649,550	
Total all other governmental funds	29,023,246	20,534,007	17,364,759	17,529,997	16,066,986	10,455,348	10,455,348	11,983,782	14,955,970	26,598,306	
Total all governmental funds	\$ 39,054,736	\$ 37,860,519	\$ 33,062,025	\$ 30,858,400	\$ 26,734,126	\$ 19,150,422	\$ 19,150,422	\$ 17,355,981	\$ 20,286,457	\$ 27,090,099	

(1) The City implemented GASB 54 for the Fiscal Year Ended June 30, 2011. Prior years were not restated retroactively.

CITY OF LANSING, MICHIGAN

Table 4 - Unaudited

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues										
Taxes and special assessments	\$ 41,732,645	\$ 39,629,305	\$ 40,691,325	\$ 38,782,759	\$ 39,470,249	\$ 38,717,552	\$ 38,717,552	\$ 33,583,448	\$ 37,371,885	\$ 39,279,343
Income taxes	37,021,436	38,455,296	35,694,010	34,573,130	31,660,923	29,850,755	29,850,755	27,943,070	28,699,749	27,408,443
Licenses and permits	1,399,881	2,113,824	1,494,298	1,559,638	1,551,125	1,509,402	1,509,402	1,538,325	1,598,804	1,414,906
Intergovernmental	45,586,152	41,848,072	36,391,761	34,175,112	36,042,377	40,639,183	40,639,183	41,431,793	40,304,785	39,137,217
Charges for services	15,235,656	12,432,770	13,230,822	14,102,447	12,900,490	11,754,381	11,754,381	18,676,398	18,606,304	18,323,158
Fines and forfeits	2,306,990	2,601,063	2,510,945	3,455,541	3,075,427	3,694,351	3,694,351	2,884,328	3,325,728	4,579,175
Interest and rents	631,812	284,165	201,367	145,011	87,035	53,179	53,179	63,571	88,516	249,464
Contributions	21,267,532	20,698,205	21,983,270	21,663,690	21,561,449	16,247,403	16,247,403	12,369,733	11,821,388	10,606,368
Donations from private sources	-	-	-	-	-	-	-	5,000	-	9,000
Other revenue	1,123,946	1,403,712	969,317	1,190,624	1,601,497	510,515	510,515	400,074	504,856	473,123
Total revenues	166,306,050	159,466,412	153,167,115	149,647,952	147,950,572	142,976,721	142,976,721	138,895,740	142,322,015	141,480,197
Expenditures										
General government	27,340,931	22,281,236	23,948,368	23,386,445	21,720,206	23,595,321	23,595,321	25,038,589	26,396,516	27,839,564
Public safety	78,659,682	75,859,065	73,683,246	72,264,468	75,510,743	63,943,082	63,943,082	66,161,872	70,397,235	70,820,184
Public works	11,632,895	11,087,884	11,201,515	11,715,510	13,273,332	8,908,673	8,908,673	6,225,177	6,002,823	-
Highways and streets	11,984,896	10,104,034	10,969,516	10,838,473	10,357,488	9,937,423	9,937,423	8,589,298	8,494,233	14,506,982
Recreation and culture	8,138,369	8,236,872	7,749,245	7,719,906	7,583,085	6,629,453	6,629,453	6,996,562	7,464,193	8,127,700
Community development	19,435,277	15,947,504	4,142,612	3,442,110	3,910,924	-	-	-	-	-
Other functions	-	-	2,710,979	2,927,391	2,704,982	23,699,202	23,699,202	17,999,264	15,675,003	15,182,675
Debt service:										
Principal	3,183,595	3,622,053	4,596,159	3,892,862	3,616,297	3,137,159	3,137,159	3,448,080	2,070,552	2,165,237
Interest	1,000,307	949,318	1,120,518	1,275,957	931,079	1,378,856	1,378,856	1,836,218	3,210,220	3,270,068
Issuance costs	-	-	-	-	-	42,744	42,744	-	48,804	-
Capital outlay	4,798,070	5,146,742	9,328,278	7,221,346	21,016,808	5,489,617	5,489,617	6,466,084	9,956,103	14,781,728
Total expenditures	166,174,022	153,234,708	149,450,436	144,684,468	160,624,944	146,761,530	146,761,530	142,761,144	149,715,682	156,694,138
Excess of revenues over (under) expenditures	132,028	6,231,704	3,716,679	4,963,484	(12,674,372)	(3,784,809)	(3,784,809)	(3,865,404)	(7,393,667)	(15,213,941)
Other financing sources (uses)										
Proceeds from borrowing	8,603,699	-	-	2,090,000	16,761,300	11,932,046	11,932,046	-	2,470,000	10,146,117
Proceeds from sale of capital assets	-	128,976	97,255	268	110,533	497,833	497,833	1,398,936	1,210,046	689
Payment to refunding bond escrow agent	(7,741,363)	-	-	(2,162,163)	-	(6,015,112)	(6,015,112)	-	(2,456,207)	-
Insurance proceeds	-	-	-	-	-	-	-	-	-	-
Transfers in	8,749,296	7,721,661	9,887,627	9,207,856	9,734,572	7,056,932	7,056,932	7,893,879	9,602,095	16,181,590
Transfers out	(9,330,113)	(9,283,847)	(11,497,936)	(10,055,346)	(10,002,772)	(1,892,449)	(1,892,449)	(8,357,887)	(10,235,909)	(16,646,397)
Bond premium	780,670	-	-	80,175	40,945	-	-	-	-	-
Total other financing sources (uses)	1,062,189	(1,433,210)	(1,513,054)	(839,210)	16,644,578	11,579,250	11,579,250	934,928	590,025	9,681,999
Net change in fund balance	\$ 1,194,217	\$ 4,798,494	\$ 2,203,625	\$ 4,124,274	\$ 3,970,206	\$ 7,794,441	\$ 7,794,441	\$ (2,930,476)	\$ (6,803,642)	\$ (5,531,942)
Debt service as a percentage of noncapital expenditures	2.6%	3.1%	3.9%	3.7%	3.2%	3.2%	3.2%	3.8%	3.7%	3.9%

CITY OF LANSING, MICHIGAN

Table 5 - Unaudited

Assessed and Estimated Actual Value of Taxable Property										
Last Ten Fiscal Years										
(rate per \$1,000 of assessed value)										
Fiscal Year Ended June 30,	Residential Property	Commercial Property	Industrial Property	Agricultural Property	Developmental Property	Personal Property Valuation	Total Taxable Assessed Valuation	Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
2010	\$ 1,480,467,389	\$ 713,807,797	\$ 248,288,931	\$ -	-	\$ 220,228,175	\$ 2,662,792,292	15.70	\$ 5,325,584,584	50.0%
2011	1,407,920,589	624,406,132	215,099,428	-	-	199,543,400	2,446,969,549	15.70	4,595,182,662	53.3%
2012	1,387,390,250	639,535,400	87,432,000	-	-	183,233,681	2,297,591,331	15.70	4,177,384,562	55.0%
2013	1,232,109,181	587,002,900	86,884,400	151,900	-	182,543,900	2,088,692,281	19.70	4,177,384,562	50.0%
2014	1,152,931,800	580,539,700	85,938,200	151,900	2,900	182,024,000	2,001,588,500	19.70	4,002,817,000	50.0%
2015	1,144,848,592	602,472,030	155,934,800	158,100	2,900	183,420,400	2,086,836,822	19.70	4,173,673,644	50.0%
2016	1,162,708,909	643,816,600	162,544,200	175,600	2,900	196,143,891	2,165,392,100	19.70	4,330,784,200	50.0%
2017	1,212,816,985	691,032,435	175,090,600	172,500	2,900	157,759,500	2,236,874,920	19.70	4,473,749,840	50.0%
2018	1,297,946,576	710,853,825	179,884,100	172,500	-	147,207,000	2,336,064,001	19.70	4,672,128,002	50.0%
2019	1,196,609,516	632,348,896	117,461,087	162,016	-	131,924,900	2,078,506,415	19.70	4,157,012,830	50.0%

Source: Lansing City Assessor

CITY OF LANSING, MICHIGAN

Table 6 - Unaudited

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

Fiscal Year Ended June 30,	City Direct Rates			Overlapping Rates					Total	
	Tax Year	Operating Millage	Service Millage	City Millage	County Millage	School Millage ⁽¹⁾	State Education	College Millage		Other Millage ⁽²⁾
2010	2009	15.44	.26	15.70	8.85	19.95	6.00	3.81	9.93	64.24
2011	2010	15.44	.26	15.70	8.84	19.95	6.00	3.81	9.93	64.23
2012	2011	15.44	.26	15.70	8.85	21.44	6.00	3.81	9.96	65.76
2013	2012	19.44	.26	19.70	9.49	21.73	6.00	3.81	9.96	70.68
2014	2013	19.44	.26	19.70	9.50	21.91	6.00	3.81	9.96	70.88
2015	2014	19.44	.26	19.70	10.20	21.77	6.00	3.81	9.96	71.44
2016	2015	19.44	.26	19.70	9.83	21.83	6.00	3.81	9.96	71.12
2017	2016	19.44	.26	19.70	10.06	22.57	6.00	3.81	9.96	72.10
2018	2017	19.44	.26	19.70	10.07	22.60	6.00	3.81	11.25	73.43
2019	2018	19.44	.26	19.70	11.34	22.50	6.00	3.81	11.26	74.61

(1) rates for Lansing School District only, using non-principal residency rates

(2) includes Intermediate School, Airport Authority, Capital Area Transit Authority and Capital Area District Library.

Source: Lansing City Treasurer

Profile of Ten Largest Ad Valorem Taxpayers

Current Year and Nine Years Ago

Taxpayer	2019			2010		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Total Assessed Valuation	Rank	Percentage of Total Assessed Valuation
General Motors Corp.	\$ 72,564,575	1	3.49%	\$ 97,245,402	1	4.15%
Jackson National Life Insurance Company	36,691,005	2	1.77%	33,598,874	2	1.43%
Consumers Energy	36,418,475	3	1.75%	22,660,900	3	0.97%
Lansing Properties LLC	24,132,150	4	1.16%			
Phoenix Development Partners LLC	18,011,594	5	0.87%			
Emergent Biodefense Operations	12,656,971	6	0.61%			
Lansing Retail Center LLC	11,943,147	7	0.57%	12,000,900	7	0.51%
Phoenix Development Partners II LLC	8,605,391	8	0.41%			
Eyde Knapp Development LLC	8,401,298	9	0.40%			
Edward Rose Realty, Inc.	7,317,457	10	0.35%			
Delta Township Utilities				20,259,900	4	0.86%
General Motors LLC				20,222,572	5	0.86%
Demmer Corporation				17,254,600	6	0.74%
Trappers Cove LTD Partners				11,129,000	8	0.47%
River Street Triangle LLC				10,950,800	9	0.47%
Blue Cross Blue Shield of Michigan				9,787,000	10	0.42%

Data furnished from City of Lansing Assessor

Property Tax Levies and Collections
 Last Ten Fiscal Years

Tax Year	Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collection	Total Collections to Date	
			Current Tax Collection	Percent of Levy Collected		Total Tax Collection	Collections as a Percent of Levy
2009	2010	\$ 44,997,919	\$ 44,844,495	99.66%	\$ 33,012	\$ 44,877,507	99.73%
2010	2011	41,460,916	41,375,354	99.79%	24,416	41,399,770	99.85%
2011	2012	39,948,762	39,863,393	99.79%	19,647	39,883,040	99.84%
2012	2013	40,450,767	39,716,932	98.19%	55,532	39,772,464	98.32%
2013	2014	39,336,952	39,238,902	99.75%	20,866	39,259,768	99.80%
2014	2015	38,329,032	38,258,272	99.82%	49,590	39,259,768	102.43%
2015	2016	38,538,226	38,461,152	99.80%	52,758	38,307,862	99.40%
2016	2017	38,431,072	38,370,929	99.84%	50,344	38,421,273	99.97%
2017	2018	39,234,692	39,232,925	99.99%	67,348	39,300,273	100.17%
2018	2019	40,231,255	40,203,313	99.93%	42,639	40,245,952	100.04%

Note: Amounts are net of chargebacks from the County Tax Revolving Funds for taxes still delinquent after three years.

Note: Delinquent Tax Collection represents amounts received in the indicated fiscal year.

Source: City of Lansing Treasurer

CITY OF LANSING, MICHIGAN

Table 9 - Unaudited

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita	Population ⁽¹⁾
	General Obligation Bonds	Special Assessment Debt	Installment Purchase Agreements	Loans	General Obligation Bonds	Revenue Bonds	Installment Purchase Agreements	Loans				
2010	\$ 26,329,157	\$ -	\$ 10,925,689	\$ 1,038,804	\$ 199,063,758	\$ 36,122,872	\$ -	\$ 4,180,000	\$ 277,660,280	13.58% ⁽²⁾	\$ 2,426	114,448
2011	27,804,224	-	9,564,693	779,580	197,000,901	33,209,092	-	1,574,209	269,932,699	12.86% ⁽²⁾	2,367	114,017
2012	25,816,914	-	8,193,615	512,577	189,536,530	30,135,311	-	1,637,177	255,832,124	12.97% ⁽³⁾	2,230	114,738
2013	29,994,604	-	2,807,838	6,246,743	180,359,931	27,528,327	-	1,702,664	248,640,107	11.96% ⁽³⁾	2,191	113,488
2014	27,180,294	-	3,100,563	7,062,234	174,471,861	24,055,438	1,668,081	-	237,538,471	11.00% ⁽³⁾	2,082	114,113
2015	27,790,281	-	16,387,327	7,872,600	167,787,460	19,445,482	1,459,431	-	240,742,581	10.20% ⁽³⁾	2,118	113,659
2016	21,968,330	-	15,268,317	7,728,600	154,303,563	20,671,135	1,246,673	-	221,330,618	9.34% ⁽³⁾	1,940	114,110
2017	18,080,040	-	13,757,531	7,728,428	143,761,916	18,982,246	1,029,723	-	203,339,884	7.98% ⁽³⁾	1,753	117,400
2018	15,325,818	-	12,289,396	7,476,545	136,938,668	17,258,138	808,500	-	190,097,065	7.61% ⁽³⁾	1,625	115,451
2019	14,925,420	-	11,274,020	7,242,002	117,713,909	14,075,000	582,920	-	165,813,271	6.31% ⁽³⁾	1,413	117,388

(1) population per decennial census by the U.S. Census Bureau

(2) personal income data comes from U.S. Census Bureau, American Community Survey 2005

(3) personal income data comes from U.S. Census Bureau, American Community Survey 2009

CITY OF LANSING, MICHIGAN

Table 10 - Unaudited

Ratios of General Bonded Debt Outstanding									
Last Ten Fiscal Years									
Fiscal Year Ended June 30,	Population ⁽¹⁾	Taxable Assessed Value ⁽³⁾	Gross Bonded Debt ⁽²⁾	Debt Service Monies Available	Debt Payable From Restricted Revenues	Net Bonded Debt	Ratio of Net Bonded Debt to Taxable Value	Net Bonded Debt per Capita	
2010	114,448	\$ 2,662,792,292	\$ 225,392,915	\$ 126,434	\$ 206,198,758	\$ 19,067,723	0.0072	\$	167
2011	114,017	2,446,969,549	224,805,125	46,029	203,225,901	21,533,195	0.0088		189
2012	114,738	2,297,591,331	215,353,444	-	194,911,530	20,441,914	0.0089		178
2013	113,488	2,088,692,281	210,354,535	178	184,849,931	25,504,427	0.0122		225
2014	114,113	2,001,588,500	201,652,155	-	178,031,861	23,620,294	0.0118		207
2015	113,659	2,086,836,822	195,577,741	1,000	170,372,460	25,204,281	0.0121		222
2016	114,110	2,165,392,100	176,271,893	1,000	155,873,563	20,397,330	0.0094		179
2017	117,400	2,236,874,920	161,841,956	1,000	144,271,916	17,569,040	0.0079		150
2018	116,986	2,336,064,001	152,264,486	1,000	136,938,668	15,324,818	0.0066		131
2019	117,388	2,078,506,415	132,639,329	30,111	117,713,909	14,895,309	0.0072		127

⁽¹⁾ Source: 2000 and 2010 Census by the U.S. Census Bureau

⁽²⁾ includes all general obligation debt and special assessment debt with governmental obligation

⁽³⁾ the tax assessment day is December 31 prior to beginning of fiscal year

Direct and Overlapping Governmental Activities Debt

As of June 30, 2019

Name of Governmental Unit	Net General Obligation	% Applicable to City	Amount Applicable to City
	Debt Outstanding		
Net direct - City	\$ 33,441,442	100.00%	<u>\$ 33,441,442</u>
Share of County-issued bonds			
Drain Commission	1,013,220	100.00%	1,013,220
Other overlapping debt			
Eaton Intermediate School District	3,300,000	0.88%	29,040
Ingham Intermediate School District	1,169,000	21.87%	255,660
Waverly School District	20,150,000	0.26%	52,390
Lansing School District	110,660,000	79.34%	87,797,644
East Lansing School District	85,048,377	5.34%	4,541,583
Holt School District	16,570,968	0.98%	162,395
Ingham County	49,154,416	25.35%	12,460,644
Eaton County	21,713,864	1.92%	416,906
Clinton County	437,140	0.28%	1,224
Lansing Community College	64,445,000	17.92%	11,548,544
Okemos School District	34,170,183	4.39%	1,500,071
Mason School District	38,325,000	1.34%	513,555
Grand Ledge School District	88,535,000	1.73%	<u>1,531,656</u>
Total overlapping debt			<u>121,824,532</u>
Total direct and overlapping debt			<u><u>\$ 155,265,974</u></u>

Note: Overlapping debt percentages are apportioned based upon relative assessed values.

Source: Municipal Advisory Council of Michigan

Table 12 - Unaudited

Legal Debt Margin Information

Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2019

Assessed value, real and personal property	\$ 2,078,506,415
Legal debt margin	
Debt limitation - 10 percent of total valuation	207,850,642
Debt applicable to limit	
Total City Bonded Debt	143,854,842
City Share:	
Drain Commission-County Issued	1,013,220
TIF Supported Bonds	27,860,758
Lansing Board of Water and Light	615,255,000
	787,983,820
Less:	
Michigan Transportation (MTF) Bonds	\$ (1,665,000)
Lansing Board of Water and Light	(615,255,000)
Sewage Disposal Revenue Bonds	(14,075,000)
Pollution Abatement (CSO Project) Bonds	(83,305,977)
Share of County-issued bonds	(1,013,220)
Total net debt applicable to limit	72,669,623
Legal debt margin	\$ 135,181,019

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Debt limit										
Total net debt applicable to limit	\$ 207,850,642	\$ 233,606,400	\$ 223,687,492	\$ 216,539,210	\$ 208,683,682	\$ 205,138,999	\$ 208,869,228	\$ 233,669,637	\$ 268,975,768	\$ 298,052,683
Legal debt margin	72,669,623	87,295,949	81,398,300	86,432,459	91,352,614	93,062,835	91,833,157	92,357,575	100,923,863	98,368,804
Total net debt applicable to the limit as a percentage of debt limit	\$ 135,181,019	\$ 146,310,451	\$ 142,289,192	\$ 130,106,751	\$ 117,331,068	\$ 112,076,164	\$ 117,036,071	\$ 141,312,062	\$ 168,051,905	\$ 199,683,880
	34.96%	37.37%	36.39%	39.92%	43.78%	45.37%	43.97%	39.52%	37.52%	33.00%

Pledged-Revenue Coverage

Last Ten Fiscal Years

Sewage Disposal Bonds							
	Gross Revenue	Direct Operating Expenses ⁽¹⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage ⁽²⁾
				Principal	Interest	Total	
2010	\$ 28,613,004	\$ 12,358,472	\$ 16,254,532	\$ 2,840,000	\$ 1,803,425	\$ 4,643,425	3.50
2011	29,865,648	12,616,100	17,249,548	2,925,000	1,621,221	4,546,221	3.79
2012	30,178,511	12,562,663	17,615,848	3,040,000	1,448,856	4,488,856	3.92
2013	31,169,428	12,112,994	19,056,434	3,160,000	1,111,390	4,271,390	4.46
2014	31,996,794	13,424,901	18,571,893	3,265,000	1,054,878	4,319,878	4.30
2015	31,945,082	13,295,574	18,649,508	1,490,000	920,788	2,410,788	7.74
2016	32,676,182	14,066,527	18,609,655	1,550,000	861,188	2,411,188	7.72
2017	35,053,701	13,843,649	21,210,052	1,550,000	799,188	2,349,188	9.03
2018	35,608,454	14,994,871	20,613,583	1,550,000	737,188	2,287,188	9.01
2019	36,696,367	18,587,607	18,108,760	1,550,000	690,688	2,240,688	8.08

⁽¹⁾ Operating expenses less depreciation⁽²⁾ Coverage is defined as net revenue available for debt service divided by debt service requirements

Demographic and Economic Statistics
 Last Ten Fiscal Years

Year	Population ⁽¹⁾	Personal Income	Per capita Personal Income ⁽¹⁾	Median Age ⁽¹⁾	Lansing School District Enrollment ⁽²⁾	Unemployment % Rate ⁽³⁾	Labor Force ⁽³⁾
2010	114,448	\$ 2,044,504,031	\$ 17,864	32.92	13,586	15.0%	64,168
2011	114,017	2,099,395,021	18,413	30.40	12,987	13.1%	59,616
2012	114,738	1,973,149,386	17,197	32.40	12,754	11.3%	58,087
2013	113,488	2,078,873,184	18,318	32.20	12,180	11.9%	57,714
2014	114,113	2,159,930,864	18,928	32.00	11,936	9.1%	57,809
2015	113,659	2,359,106,204	20,756	32.10	11,525	7.4%	57,807
2016	114,110	2,368,467,160	20,756	32.10	11,014	6.0%	58,009
2017	117,400	2,548,754,000	21,710	32.00	10,873	6.5%	59,321
2018	116,986	2,666,695,870	22,795	32.30	10,641	5.8%	59,537
2019	117,388	2,629,725,976	22,402	32.70	10,462	5.0%	59,251

(1) Source: U.S. Census Bureau

(2) Source: Lansing School District

(3) Source: Michigan Bureau of Labor Market Information and Strategic Initiatives

Principal Employers

Current Year and Nine Years Ago

Employer	2019			2010		
	Employees ⁽¹⁾	Rank	Percentage of Total City Employment ⁽²⁾	Employees ⁽¹⁾	Rank	Percentage of Total City Employment
State of Michigan	14,390	1	5.97%	14,355	1	6.55%
Michigan State University	10,253	2	4.25%	11,218	2	5.12%
Sparrow Health System	7,600	3	3.15%	7,400	3	3.38%
General Motors	4,549	4	1.89%	3,688	4	1.68%
Lansing Community College	3,144	5	1.30%	3,180	5	1.45%
McClaren Greater Lansing	3,000	6	1.24%			
Auto Owners Insurance	2,578	7	1.07%	1,500	9	0.68%
Peckham, Inc.	2,510	8	1.04%	1,400	10	0.64%
Jackson National Life	2,500	9	1.04%			
Dart Container Corp	2,000	10	0.83%			
Ingham Regional Medical Center				2,500	6	1.14%
Lansing School District				2,106	7	0.96%
Meijer				2,000	8	0.91%
Greater Lansing metropolitan area employment			241,100			

(1) Data is representative of the Greater Lansing Region

(2) Source: Michigan Department of Career Development: Employment Service Agency - Labor Market Information

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CITY OF LANSING, MICHIGAN

Full-time Equivalent City Governmental Employees by Function/Program Last Ten Fiscal Years

Function/Program	2019	2018	2017	2016	2015	2014
General government						
City council	10	10	10	10	10	10
Mayor's office	7	7 ⁽⁷⁾	6	6	5	5
City clerk	6	5	5	5	5	5
54-A district court	45	45	45	45	46	43
City attorney's office	12	11	11	11	11	10
City TV	2	2	2	2	2	2
Internal auditor	1	1	1	1	1	1
Human resources	11	11	12	12	10	10
Information technology	16	16	11	11	11	11
Finance						
Accounting/budget/purchasing	8	8	8	8 ⁽⁵⁾	9	10
Treasury/income tax	13	11	11	10	9	9
Assessing	11	11	11	11	11	11
Property management	-	-	-	-	-	-
Fleet management	-	-	-	-	-	-
	<u>32</u>	<u>30</u>	<u>30</u>	<u>29</u>	<u>29</u>	<u>30</u>
Planning & neighborhood development						
Administration	2	2	2	2	2	2
Code compliance	15	14 ⁽⁶⁾	-	-	-	- ⁽⁴⁾
Building safety	13	13	13	13	13	13
Planning	4	3 ⁽⁷⁾	4	4	4	4
Development	9	9	9	10	10	11
Parking & transportation	14	14	14	14	14	15
	<u>57</u>	<u>55</u>	<u>42</u>	<u>43</u>	<u>43</u>	<u>45</u>
Neighborhood & Citizen Engagement	<u>5</u>	<u>1 ⁽⁷⁾</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Police	<u>243</u>	<u>241</u>	<u>240</u>	<u>239</u>	<u>239</u>	<u>234 ⁽⁴⁾</u>
Fire	182	181	181	181	181	188
Code compliance	-	- ⁽⁶⁾	14	14	14	14 ⁽⁴⁾
	<u>182</u>	<u>181</u>	<u>195</u>	<u>195</u>	<u>195</u>	<u>202</u>
Public services						
Administration & engineering	21	20	20	20	19	19
Operations & maintenance	118	118	117	117	117	117 ⁽⁴⁾
Service garage	-	-	-	-	-	-
Wastewater	42	42	41	41	41	41
Property Management	16	16	16	18	18	18
Fleet Management	30	30	30	26	27	27
	<u>227</u>	<u>226</u>	<u>224</u>	<u>222</u>	<u>222</u>	<u>222</u>
Human relations & community services	<u>10</u>	<u>9</u>	<u>8</u>	<u>7</u>	<u>7</u>	<u>6</u>

Table 16 - Unaudited

2013	2012	2011	2010
10	10	11	11
5	5	5	5
5	5	6	7
43	48	50	53
10	10	11	12
2	2	2	2
1	1	1	1
9	9	11	12
10	10	14	15
10	13	14	16
20	10	11	12
	11	11	12
- ⁽²⁾	18	20	21
- ⁽²⁾	27	29	30
<u>30</u>	<u>79</u>	<u>85</u>	<u>91</u>
2	2	2	2
15	15	16	16
12	13	15	15
4	4	5	5
9	9	9	9
20	20	20 ⁽³⁾	40
<u>62</u>	<u>63</u>	<u>66</u>	<u>87</u>
-	-	-	-
<u>229 ⁽³⁾</u>	<u>260</u>	<u>327</u>	<u>344</u>
180	179	207	218
<u>180</u>	<u>179</u>	<u>207</u>	<u>218</u>
19	21	21	17
120	121	135 ⁽³⁾	110
-	-	-	-
41	41	41	44
18 ⁽²⁾	-	-	-
27 ⁽²⁾	-	-	-
<u>225</u>	<u>183</u>	<u>197</u>	<u>171</u>
<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

continued...

CITY OF LANSING, MICHIGAN

Full-time Equivalent City Governmental Employees by Function/Program Last Ten Fiscal Years

Function/Program	2019	2018	2017	2016	2015	2014
Parks & recreation						
Administration & design	6	6	6	6	6	6
Grounds & forestry	-	-	-	-	-	-
Leisure & special recreation	6	6	6	6	6	6
Cemeteries	1	1	1	1	1	1
Golf/ice arena	-	3	3	3	3	3
	<u>13</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>
	<u>879</u>	<u>867</u>	<u>858</u>	<u>854</u>	<u>852</u>	<u>852</u>

Source: The City of Lansing, Michigan

The following restructuring of departments have occurred:

- (1) Grounds Maintenance positions were moved from Parks & Recreation and Planning & Neighborhood Development and consolidated with Public Service staff.
- (2) Fleet and Property Management were moved from the Finance Department to the Public Service Department
- (3) On June 27, 2012, 911 Dispatch employees were transferred from the City to Ingham County.
- (4) Code Compliance (14 positions) were transferred from ED&P to Fire; four (4) positions to Police, and one (1) position to Public Service for FY 2014.
- (5) Purchasing operations were transferred to the Lansing Board of Water and Light for FY 2016.
- (6) Code Compliance was transferred from Fire to ED&P.
- (7) One (1) position was transferred from Human Resources to Mayor's Office and one (1) position was transferred from ED&P to N&CE in FY 2018.

2013	2012	2011	2010
5	5	5	7
-	-	- (1)	27
8	10	12	15
1	1	1	3
3	3	4	4
<u>17</u>	<u>19</u>	<u>22</u>	<u>56</u>
<u><u>843</u></u>	<u><u>888</u></u>	<u><u>1,020</u></u>	<u><u>1,090</u></u>
			concluded

Operating Indicators by Function/Program
 Last Ten Fiscal Years

Function/Program	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Public safety										
Fire department responses	22,389	22,768	21,902	21,115	20,170	19,427	18,444	17,093	16,974	16,659
EMS related	19,655	19,264	18,827	18,275	17,376	16,235	15,918	14,851	14,628	14,398
Fire related	2,734	3,063	3,075	2,840	2,794	3,012	2,526	2,242	2,346	2,261
Police department responses	84,869	107,379	82,722	71,468	79,331	76,855	73,087	74,058	78,112	87,724
Arrests	4,418	4,507	5,710	3,880	4,510	5,656	7,196	8,043	8,858	11,644
Traffic violations	6,963	6,496	9,385	7,334	10,781	7,756	14,905	8,829	15,585	18,297
Public works										
Potholes filled	2,589	54,773	53,332	53,488	53,281	55,193	33,155	30,116	32,918	24,945
Streets resurfaced (miles)	4.6	6.0	8.7	8.8	4.0	4.6	6.0	5.0	9.0	20.7
Recreation										
Recreation participation	93,264	120,245	98,978	101,335	122,639	50,859	55,122	66,836	66,254	70,529 ⁽¹⁾
Pavilion rentals	222	202	180	242	206	185	199	198	161	288
Sewage disposal										
Average amount processed daily (gal)	16.60 million	14.45 million	16.32 million	15.46 million	13.28 million	14.49 million	14.75 million	12.82 million	12.83 million	15.01 million
Parking system										
Average number of monthly permit	2,500	3,310	2,581	3,218	3,077	2,891	2,718	2,735	3,122	3,480
Parking tickets issued	37,105	32,857	33,492	32,990	30,888	34,373	38,127	41,829	45,176	63,610
Cemetery										
Lots sold	103	88	162	115	138	93	113	115	143	142
Garbage and rubbish										
Yards sent to landfill	20,957	20,492	20,007	20,115	19,667	18,829	17,985	18,705	20,334	21,805
Recycling										
Recycled goods sold (tons)	5,407	5,593	5,834	5,940	5,691	5,075	3,562	3,149	2,446	2,163
Yards composted	21,198	20,031	24,223	24,413	21,685	25,260	21,832	20,413	15,725	21,819

Source: The City of Lansing, Michigan

⁽¹⁾ The addition of the Southside Community Center, with a pool, resulted in a large increase in recreation participation in FY 2010

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CITY OF LANSING, MICHIGAN

Capital Assets Statistics by Function/Program Last Ten Fiscal Years

Function/Program	2019	2018	2017	2016	2015	2014
Public safety						
Police stations	2	2	2	2	2	2
Police patrol units	58	60	60	60	60	61
Fire stations	8	6	6	6	6	6
Emergency Vehicles	55	-	-	-	-	-
Public works						
Streets (miles)	413.00	414.00	414.00	414.00	414.00	411.00
Traffic signals	184	200	200	200	200	200
Recreation						
Park acreage	2,174.13	2,017.56	2,134.26	2,134.26	2,363.45	2,364.85
Playgrounds	76	74	74	74	72	72
Baseball/softball fields	22	25	25	25	47	61
Soccer/football fields	15	15	15	14	6	6
Community centers	4	4	4	4	4	4
Sewage disposal						
Sanitary sewers (miles)	364	363	361	361	361	359
Storm sewers (miles)	238	237	235	235	235	234
Combined sewers (miles)	185	187	188	188	188	188
Parking system						
Ramps	3	4	4	4	4	4
Lots	16	16	16	16	17	17
Meters	2,166	2,166	2,166	2,166	2,166	2,452
Cemetery						
Number of cemeteries	3	3	3	3	3	3
Golf						
Number of courses	1	1	1	1	1	1
Acreage	115	115	115	115	115	115
Garbage and rubbish						
Refuse collection trucks	8	16	14	14	17	17
Recycling						
Recycling trucks	8	7	5	5	7	7
Compost trucks	8	-	-	-	-	-

Source: The City of Lansing, Michigan

Table 18 - Unaudited

2013	2012	2011	2010
2	2	3	3
60	60	58	61
6	6	8	9
-	-	-	-
411.00	407.80	410.80	410.63
204	204	208	203
2,364.85	2,434.88	2,422.63	2,422.63
75	73	71	71
61	61	61	61
6	6	6	6
4	4	4	4
359	359	359	357
234	234	234	233
188	188	188	191
4	4	4	4
18	15	15	16
2,452	2,452	2,452	2,493
3	3	3	3
1	1	1	1
115	115	115	115
17	19	22	18
7	7	9	10
-	-	-	-

INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

December 19, 2019

Honorable Mayor and
Members of the City Council
City of Lansing, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Lansing, Michigan* (the "City") as of and for the year ended June 30, 2019, and have issued our report thereon dated December 19, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated July 17, 2019, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated December 19, 2019. In addition, we noted certain other matters which are included in Attachment A to this letter.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the City's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements.

There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the year.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.
- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.

- The assumptions used in the actuarial valuations of the pension and other postemployment benefits plans are based on historical trends and industry standards.
- Management's estimate of amounts due and payable to the Internal Revenue Service for tax years 2016-2018 late filings and failure to file certain required tax forms is based on notices received to date for 2016 and 2017.
- Management's estimate of the leases receivable balances is based on past experience and future estimates of lease collections.
- Management's estimate of the income tax receivable balance is based on past experience utilizing the first 45 days collections of income tax withholdings.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Significant Difficulties Encountered During the Audit

The timing of our audit procedures was delayed from the schedule agreed to during the planning stages of our engagement due to delays in the availability of supporting documentation and the ability of City staff to provide needed follow-up documentation in expected timeframes. This condition appears to largely be the result of limited staffing levels and turnover in the Finance Department.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The material misstatements detected as a result of audit procedures and corrected by management are described in the Schedule of Findings and Responses issued in connection with our report on internal control over financial reporting.

The schedule of adjustments passed is included with management's written representations in Attachment C to this letter, and summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in Attachment C to this letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment B to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

This information is intended solely for the use of the governing body and management of the City of Lansing, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Lehmann Lohman LLC". The signature is written in a cursive, flowing style. The word "Lehmann" is followed by "Lohman" and then "LLC". The signature is positioned on a light gray rectangular background.

CITY OF LANSING, MICHIGAN

Attachment A - Comments and Recommendations

For the June 30, 2019 Audit

During our audit, we became aware of certain other matters that are opportunities for strengthening internal control and/or improving operating efficiency. This memorandum summarizes our comments and recommendations regarding those matters. Our consideration of the City's internal control over financial reporting is described in our report, dated December 19, 2019 issued in accordance with *Government Auditing Standards*. This memorandum does not affect that report or our report dated December 19, 2019, on the financial statements of the City of Lansing, Michigan.

Stale Reconciling Items (Repeat Comment)

During our review of the City's bank reconciliations, we noted a number of reconciling items dating back as far as 1997. We continue to recommend the City review stale items and either void and reissue or escheat them to the State, as necessary.

Stagnant Account Balances

We noted various asset and liability accounts with year-end balances that have been inactive for several years. While the account balances were not material and progress was made with a number of these asset and liability accounts, several still remain. We recommend the City review these accounts and determine appropriate further action to eliminate (or adjust) such balances prior to closing the June 30, 2020 fiscal year.

End Control over Payroll Processing (Repeat Comment)

The City currently has procedures in place to ensure that employees are being paid at the correct rate and for the actual number of hours worked. Since the process of inputting timesheet data into the payroll system requires manual entry, we recommend that the City implement an "end control" over payroll disbursements. This could be done by having an employee independent of payroll processing review a preliminary payroll register by employee, or by having the payroll system generate exception reports for data outside certain parameters. In all instances, any independent review and approval should be documented and retained as evidence of the control.

Internal Controls over Manually Prepared Spreadsheets (Repeat Comment)

The City utilizes manual spreadsheets for documenting the composition of certain account balances for audit workpaper preparation which were not subjected to a documented review/approval process during fiscal year 2019. While we noted that, subsequent to the end of the fiscal year this was corrected due to changes in procedures, we continue to recommend that all documentation prepared by management, in whatever format is preferred, that supports financial statement balances, be reviewed and approved by a responsible member of management and that such review be documented by the signature/initials of the assigned reviewer and the date of the review.

Budget Monitoring

We noted that the final amended budget had not been updated in the accounting software; rather, the City provided a spreadsheet to track the budget amendments to present the final amended budget in the financial statements. In order to provide the most accurate budget to actual reporting during the course of the year, we recommend that all budget amendments be reflected in the accounting system in a timely manner.

CITY OF LANSING, MICHIGAN

Attachment A - Comments and Recommendations

For the June 30, 2019 Audit

Lack of Independent Review of Journal Entries

Manual journal entries, while an essential part of any accounting system, represent an opportunity to enter information into the City's records in a way that bypasses normal internal controls. Accordingly, the City should have a system in place to ensure that all manual journal entries and similar adjustments made to the City's accounting records are reviewed and approved by an appropriate member of management, independent of the preparer. We observed that six out of ten journal entries tested lacked independent review and approval. However, we also noted that, subsequent to the end of the fiscal year, that processes have been put in place where all such entries are reviewed and approved. We recommend that the City continue to follow this procedure requiring written, independent review and approval for all manual journal entries, including transactions that are recurring in nature. This review should be evidenced by signature/initials and date, attached with supporting documentation, and retained for audit purposes.

Pension and OPEB Plan Funding (Repeat Comment)

The City maintains pension plans for its qualified employees. With the implementation of GASB 67 and 68, the focus of pension plan reporting changed from a funding perspective to a net liability approach. Further, with the implementation of these standards, the comprehensive annual financial report now provides certain trend information regarding the City's funding progress for its employees' retirement system and police and fire retirement system. Based on the six years of trend data now available, we have observed that the scheduled contributions are not keeping pace with the interest on the outstanding total pension liability. In addition, the fiduciary net position as a percentage of the total pension liability has decreased in four of the previous five years presented, reflecting 54.5% and 63.8% for the employees' retirement system and police and fire retirement system, respectively. We recommend the City actively search for ways to reverse the negative trends and increase the funded status of the plans.

The City also maintains other postemployment benefit (OPEB) plans for its qualified employees. With the implementation of GASB 74 and 75, the focus of OPEB plan reporting changed from a funding perspective to a net liability approach. Further, with the implementation of these standards, the comprehensive annual financial report now provides certain trend information regarding the City's funding progress for its employees' retirement system and police and fire retirement system. We have observed that the scheduled contributions are not keeping pace with the interest on the outstanding total OPEB liability. The fiduciary net position as a percentage of the total OPEB liability is reflecting 27.4% and 13.0% for the employees' retirement system and police and fire retirement system, respectively. We recommend the City actively search for ways to increase the funded status of the plans.

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CITY OF LANSING, MICHIGAN

■ Attachment B - Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2019 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the City in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the City. For the complete text of these and other GASB standards, visit www.gasb.org and click on the "Standards & Guidance" tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 84 ■ Fiduciary Activities

Effective 12/15/2019 (your FY 2020)

This standard establishes new criteria for determining how to report fiduciary activities in governmental financial statements. The focus is on whether the government is controlling the assets, and who the beneficiaries are. Under this revised standard, certain activities previously reported in agency funds may be reclassified in future periods. Due to the number of specific factors to consider, we will continue to assess the degree to which this standard may impact the City.

GASB 87 ■ Leases

Effective 12/15/2020 (your FY 2021)

This standard establishes a single model for reporting all leases (including those previously classified as operating and capital). Lessees will now report offsetting intangible lease assets and lease liabilities equal to the present value of future lease payments. Lessors will report offsetting lease receivables and deferred inflows of resources.

GASB 89 ■ Accounting for Interest Cost Incurred before the End of a Construction Period

Effective 12/15/2020 (your FY 2021)

This standard eliminates the requirement for governments to capitalize interest during the construction period for business-type activities. As this simplifies the accounting for interest, early implementation is encouraged. We do not expect this standard to have any significant effect on the City.

GASB 90 ■ Majority Equity Interests

Effective 12/15/2019 (your FY 2020)

This standard addresses situations in which a government acquires a majority of the equity interest in a legally separate organization, and whether such holdings should be reported as an investment or a component unit. We do not expect this standard to have any significant effect on the City.

GASB 91 ■ Conduit Debt Obligations

Effective 12/15/2021 (your FY 2022)

This standard defines "conduit debt obligations", where a government issues debt whose proceeds are received and repaid by a third-party obligor without the issuer being primarily liable. The standard requires issuers to disclose conduit debt obligations, but not to record a liability unless it is *more likely than not* that a commitment made by the issuer will require it to support one or more debt payments for a conduit debt obligation. We do not expect this standard to have any significant effect on the City.

■ ■ ■ ■ ■

CITY OF LANSING, MICHIGAN

Attachment C - Management Representations

For the June 30, 2019 Audit

The following pages contain the written representations that we requested from management.



CITY OF LANSING
FINANCE DEPARTMENT
124 W Michigan Ave., 8th Floor
Lansing, Michigan 48933
517.483.4500

December 19, 2019

Rehmann Robson
2330 East Paris Avenue, SE
Grand Rapids, Michigan 49546

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Lansing, Michigan* (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, and the budgetary comparison for the General Fund of the City in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of December 19, 2019:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 17, 2019, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
2. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. The effects of uncorrected misstatements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.
9. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
10. With regard to items reported at fair value:
 - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
11. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
12. All funds and activities are properly classified.
13. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
14. All components of net position and fund balance classifications have been properly reported.
15. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
16. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
17. All interfund and intra-entity transactions and balances have been properly classified and reported.
18. Deposit and investment risks have been properly and fully disclosed.
19. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
20. All required supplementary information is measured and presented within the prescribed guidelines.
21. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.
22. We agree with the findings of the specialists in evaluating the workers' compensation liability and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to values or amounts derived in an attempt to bias their work, and we have not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

Information Provided

23. We have provided you with:
 - e. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - f. Additional information that you have requested from us for the purpose of the audit; and
 - g. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
24. All transactions have been recorded in the accounting records and are reflected in the financial statements.
25. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
26. We have disclosed to you all information that we are aware of regarding fraud or suspected fraud that affects the entity and involves:
 - h. Management;
 - i. Employees who have significant roles in internal control; or
 - j. Others where the fraud could have a material effect on the financial statements.
27. We have disclosed to you all information that we are aware of regarding allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
28. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
29. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
30. We have disclosed to you all communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
31. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
32. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
33. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
34. There are no:
 - k. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - l. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - m. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
35. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
36. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.


37. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Supplementary Information in Relation to the Financial Statements as a Whole

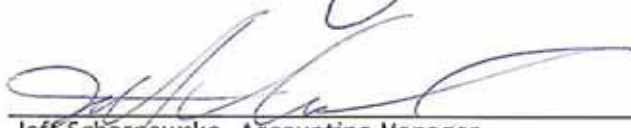
38. With respect to the supplementary information accompanying the financial statements:
- We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - The methods of measurement or presentation have not changed from those used in the prior period.
 - We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Required Supplementary Information

39. With respect to the required supplementary information accompanying the financial statements:
- We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - The methods of measurement or presentation have not changed from those used in the prior period.
 - We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.



Shelbi Frayer, Chief Strategy Officer



Jeff Scharnowske, Accounting Manager

CITY OF LANSING, MICHIGAN

Schedule of Adjustments Passed (SOAP)

For the June 30, 2019 Audit

In accordance with generally accepted auditing standards, we have prepared the following schedule of proposed audit adjustments, which we believe are immaterial both individually and in the aggregate. We are providing this schedule to both management and those charged with governance to receive their assurance that they agree that the amounts listed below are not material to the financial statements, either individually or in the aggregate, and do not need to be recorded.

	Effect of Passed Adjustment - Over(Under)Statement				
	Assets	Liabilities	Beginning Equity	Revenues	Expenses/ Expenditures
General fund					
Prior year overstatement of allowance related to PILOT receivable (corrected in current year)	\$ -	\$ -	\$ (92,906)	\$ 92,906	\$ -
Prior year unrecorded HSA plan employer contributions (corrected in current year)	-	-	330,188	-	330,188
Prior year understated deferred inflow unavailable nuisance fees (corrected in current year)	-	-	110,086	(110,086)	-
Duplicate invoice included in receivables that was paid prior to June 30, 2019	50,137	-	-	50,137	-
Total general fund	<u>\$ 50,137</u>	<u>\$ -</u>	<u>\$ 347,368</u>	<u>\$ 32,957</u>	<u>\$ 330,188</u>
Misstatement as a percentage of total revenues - general fund	0.04%	0.00%	0.27%	0.03%	0.25%
Municipal parking system					
Prior year overstated retainage liability (corrected in current year)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (80,387)</u>	<u>\$ -</u>	<u>\$ (80,387)</u>
Misstatement as a percentage of total assets and deferred outflows - municipal parking fund	0.00%	0.00%	-0.15%	0.00%	-0.15%

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

December 19, 2019

Honorable Mayor and
Members of City Council
City of Lansing, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Lansing, Michigan* (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001, -002, and -003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Lansing, Michigan's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lehmann Lobach LLC". The signature is written in a cursive, flowing style.

CITY OF LANSING, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2019

2019-001 - Material Audit Adjustments (Repeat Comment)

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. During our audit, we identified and proposed material adjustments (which were approved and posted by management) to adjust the City's accounting records. In addition, we received several revisions to the City's trial balance (the final version was received on December 9, 2019), each of which contained material corrections to previous versions. Also, management identified and posted many smaller adjustments to a wide variety of funds and accounts throughout the audit process that collectively had a material effect on the City's financial reporting process.

Cause. Over the past several years, the City's Finance Department has reduced in size due to staffing reductions and staffing turnover. These changes have placed a significant burden on the year-end financial close process, and have resulted in reconciliation of account balances and adjustment of related accounts, and preparation of the schedule of expenditures of federal awards (SEFA), not being completed timely (several account balances had not initially been adjusted or reconciled since the end of the previous fiscal year).

Effect. As a result of this condition, the City's financial information was initially misstated by amounts that were deemed to be quantitatively material to nearly every opinion unit, and numerous account balances were not adjusted timely throughout the year. Correcting entries were subsequently posted by management to the City's records and the appropriate balances are presented in the audited financial statements.

Recommendation. Management has already taken appropriate corrective action by posting correcting journal entries. However, we strongly recommend that the City critically assess the staffing levels in its Finance Department to ensure that there are an appropriate number of qualified/trained individuals available throughout the year to maintain the City's books and records in accordance with GAAP, and that balance sheet accounts for all funds be subject to periodic review and adjusted or reconciled to their underlying detail as soon as practical after fiscal year-end.

View of Responsible Officials. This past fiscal year, two key positions (Finance Director and Accounting Manager) were vacant for 1 to 3 months respectively. In addition there was turnover in another accounting position. Subsequent to year end, two of these positions were filled and one was combined with the Chief Strategy Officer position (Finance Director). In addition, a Budget Director was hired. However, the loss of these individuals represented a combined 30+ years of experience. The loss of this "institutional knowledge", combined with the vacancy periods, meant that we were behind before we started. We plan on making the following improvements in FY2020 that will address many of the issues noted in this finding: We are going to evaluate the functions that are being performed by each staff member, redistribute workload, cross train all staff, and put procedures in place to help us make sure we are recording all major transactions in a timely manner. We will also critically assess the staffing levels in the Finance Department and within the budget constraints of the City, will do what we can to augment the existing Finance staff.

CITY OF LANSING, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2019

2019-002 - Segregation of Duties over Distributions and Timely and Accurate Preparation and Submission of Pension and OPEB Data (Repeat Comment)

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. The City obtains actuarial valuations and other reports for its various pension and other postemployment benefit (OPEB) plans each year. Ideally, these valuations should be obtained far enough in advance to be used to calculate amounts to be included in the audited financial statements. Management is responsible for accurate and timely compilation of data necessary for actuarial professionals to process and complete reporting necessary for the proper reporting of pension and OPEB information in the annual financial statements. The City should also have proper segregation of duties in place regarding the preparation and review of census information and underlying reports that are essential for accurate and complete reporting of pension and OPEB information in the annual financial statements.

Condition. Actuarial valuations for the pension and other postemployment benefit plans, the GASB 67/68 rollforward related to the defined benefit pension plans, and the GASB 74/75 rollforward related to the other postemployment benefit plans were not completed until December 2019, and the related account balances were not adjusted until late in audit fieldwork. In addition, the City has not verified that pension census data/reconciliations provided to the actuary were properly recorded by the actuary. Also, the census information for the retiree healthcare plans are currently contained in a manual spreadsheet that does not appear to be updated timely.

We noted several inconsistencies in current year census data, including accumulated contributions of five new hires from the employees check stub not agreeing the census data, two new hires were excluded entirely from the census data, and other instances of individuals being incorrectly included or excluded from the census. While, to the best of our knowledge, these discrepancies did not materially impact the final valuations, these issues increase the risk that errors could occur that would materially effect the amounts reported in the financial statements.

During our testing of the census data, we noted that there is no independent review over pension and OPEB benefit calculations and terminated employee distributions of accumulated contributions. This includes date of birth, date of hire, separation date, retirement date, service credits, final average salary, benefit multiplier, pensionable wages, accumulated employee contributions, and benefits selected.

Cause. The City does not appear to have a system in place to enable timely reporting of pension and OPEB benefit information. The City does not have policies and procedures in place to provide reasonable assurance that the information submitted to the actuary is accurate and complete. The City also did not independently review pension and OPEB benefit calculations and terminated employee distributions of accumulated contributions.

Effect. As a result of this condition, the City experienced an increased risk that misstatements in the accounting records, whether caused by error or fraud, would not be detected and corrected on a timely basis.

CITY OF LANSING, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2019

Recommendation. Accurate reporting of census information is important given its impact on the underlying valuations. Given this, we strongly recommend that the City critically assess the activities of the Finance Department to assure that required tasks are completed accurately and in a timely fashion. We further recommend that the City maintain the complete census, and implement a review process to determine that census data submitted to the actuary is accurate and complete. We also recommend that an independent review be done of all census information, including retirement calculations and terminated employee distributions of accumulated contributions.

View of Responsible Officials. We have plans to begin the data gathering process earlier in the year in FY2020, so that we have ample time to review the census report and improve the accuracy of the data we are submitting to the actuary. We will work with Human Resources to implement an independent review of the retirement calculations and terminated employee distributions of accumulated contributions.

CITY OF LANSING, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2019

2019-003 - Timely and Accurate Preparation and Review of Bank Reconciliations

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. Timely bank account reconciliations represent an important control used to detect and prevent material misstatements. Such reconciliations should be completed and reviewed within six weeks of each month and year-end.

Condition. Throughout the year, the City failed to complete bank reconciliations on a timely basis for most of its cash accounts. Several individual bank account reconciliations were not completed for the entire fiscal year until approximately five months after fiscal year-end.

Cause. Over the past several years, the City's Finance Department has reduced in size due to staffing reductions and staffing turnover. These changes have placed a significant burden on the month and year-end close processes, and have contributed to reconciliations not being completed or reviewed timely.

Effect. As a result of this condition, the City experienced an increased risk that misstatements in the accounting records, whether caused by error or fraud, would not be detected and corrected on a timely basis.

Recommendation. Management has already taken appropriate corrective action by completing all current year bank reconciliations. However, we strongly recommend that the City critically assess the staffing levels in its Finance Department to ensure that there are an appropriate number of qualified/trained individuals available throughout the year to complete bank reconciliations on a timely basis. We also recommend that the bank reconciliations be subject to an independent review and approval process, and that review be evidenced in writing.

View of Responsible Officials. Due to the significant turnover experienced in the City's Finance Department during FY2019 and corresponding significant loss of decades of institutional knowledge as noted in item 2019-001 above, the bank reconciliation process fell behind. In addition, significant time had to be expended just to get on-line access to these accounts set back up and/or obtain copies of the bank statements (the former Finance Director and Accounting Manager were in many cases the only two signers). Finally, there are too many accounts to deal with - over 75. First, we are going to begin working on combining as many of the bank accounts as we can as well as making sure that we have on-line access to all accounts so that we can obtain statements in a timely manner. Then we are going to evaluate who is performing the bank reconciliations and spread this workload among the entire Finance Department. We will implement independent review of the bank reconciliations and document this in writing.

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